CWB

THE CANADIAN WHEAT BOARD 1995-96 ANNUAL REPORT

Marketing For The Future

Contents

Corporate Profile

THE CANADIAN WHEAT BOARD (CWB) is the marketing agency for western Canadian wheat and barley growers. The CWB markets these grains in the Canadian market and to more than 70 countries around the world with the goal of attaining the best price possible.

Annual sales revenue ranges from $4 billion to $6 billion depending on grain prices and the amount of deliveries by farmers. This makes the CWB the largest single wheat and barley marketing corporation in the world.

All proceeds from sales, less CWB marketing costs, are passed back to farmers. In this sense, western Canadian farmers are the CWB's only shareholders.

A Message from

THE INTERNATIONAL MARKET is fast paced and dynamic. To fulfill our vision as a world leader in marketing grain, the Canadian Wheat Board must be able to respond quickly to the changing needs of our customers. At the same time, we must also be able to respond to the needs of Prairie wheat and barley growers whom we serve.

the Commissioners

THE 1995-96 CROP YEAR brought many new marketing challenges to the CWB. A shortage of world wheat and barley supplies finally brought an end to the destructive export subsidy trade war, which had pitted Canadian farmers against the treasuries of the United States and European Union. Wheat prices reached the highest levels ever. Unfortunately, Canadian grain supplies for export were cut sharply by a smaller Canadian crop and a much reduced grain carryover. The CWB had to take a very targeted approach to its marketing efforts to ensure that customers' needs were met as best as possible. But in spite of the reduced supplies, the total sales value for the four CWB pool accounts reached $5.8 billion.

Domestically, Prairie farmers were faced with significantly higher costs of operation. On August 1, 1995, the repeal of the Western Grain Transportation Act brought an end to rail subsidies for western Canadian farmers. This was done as part of Canada's commitment under the General Agreement on Tariffs and Trade (GATT), which called for a worldwide reduction in farm subsidies. Farmers were also faced with higher costs for petroleum-based inputs such as fertilizer and farm fuel.

Despite these higher costs, Canada's wheat and barley industry remains healthy and vibrant. A performance evaluation conducted during the 1995-96 crop year showed Canada ranks highly with its customers in such areas as quality of product, customer service, technical support and dependability of supply. Another study conducted by three economists showed that the CWB's single-desk system generates an additional $265 million per year in wheat revenue for farmers, thereby enhancing Canada's competitiveness. It also showed the CWB provides a low-cost marketing service to farmers.

In an effort to further strengthen Canada's grain industry, the federal government established a Western Grain Marketing Panel in July 1995. Meetings were held across the Prairies to consult with farmers and all other participants in the grain industry. Recommendations on marketing issues were submitted to federal Agriculture and Agri-Food Minister Ralph Goodale in July 1996. In December 1996, the Minister introduced legislation to Parliament.

This legislation will allow the CWB to make some of the most significant changes in its 61-year history. A board of directors, with some members elected by farmers, will result in more direct accountability. Many of the other amendments will offer farmers improved cash flow and more flexible service options.

Armed with these new tools and the strengths of our proud past, the CWB will be well positioned to meet the challenges of *Marketing for the Future.*

left to right

Lorne Hehn, *Chief Commissioner*

Richard Klassen, *Commissioner*

Gordon Machej, *Commissioner*

A Proud Past and

FOR MORE THAN 60 YEARS, the CWB has striven to become the world's leader in grain marketing. Buyers at home and in more than 70 countries around the world think Canadian, and the CWB, when they want to buy grain. For Western Canada's farmers, this means a good reputation and an improved bottom line.

Leader

a Promising Future

Pillars of strength

At the core of maximizing returns to farmers are the CWB's three corporate pillars. These pillars are single-desk selling, price pooling and the partnership with the federal government.

Single-desk selling

The monopoly is the backbone of the CWB and it continues to give strength and marketing power to Prairie farmers. As the sole exporter of western Canadian wheat and barley, the CWB is able to command premium prices. Single-desk selling allows the CWB to maximize revenues for the high quality Canadian grain and to capture premiums for the excellent customer service it provides.

Single-desk selling also enables the CWB to take a unique approach to market development. It is both product and customer oriented in nature resulting in long-term relationships and a better customer understanding of Canadian grain. In a multi-seller environment, it is unlikely that companies would invest in market development because they would not necessarily reap the benefits of their efforts.

Price pooling

Prairie farmers enjoy an effective risk management tool in price pooling. Pooling smoothes out the seasonal fluctuations in prices and reflects the values that are achieved over the course of a marketing year. In a world market that is heavily influenced by competitors' export subsidies, pooling allows farmers to share access to premium markets.

Partnership with the federal government

The link between farmers and the federal government offers three distinct economic advantages. Firstly, the federal government guarantees initial payments to farmers when they deliver their grain. Secondly, the CWB is able to compete in higher risk markets and make sales on credit because of federal government backing. Finally, the government guarantees our borrowings enabling us to finance our operations at much lower rates of interest than any comparably-sized, private-sector company. These financial savings more than cover the CWB's administration costs.

Adding to farmer income

[illegible], three prominent Prairie agricultural economists conducted an analysis to find out if the CWB monopoly benefited farmers. Drs. Daryl Kraft, Hartley Furtan and Edward Tyrchniewicz were given [illegible] CWB Hard Red Spring wheat sales data from 1980 until 1994 and compared contract prices with competitors' [illegible] at the time. With this information they put a value on the CWB's single-desk operation and [illegible] own conclusion on how well the CWB performed in a rapidly changing world trade environment.

When the study was released in January 1996, the findings were conclusive: ***The CWB adds additional revenue that wouldn't be available in a multi-seller environment.*** During the 14-year study period, it was found the CWB put on average $18 per tonne or $265 million per year more into farmers' pockets than would have been the case in a multi-seller environment. The CWB monopoly captures premiums because it allows price differentiation, manages risk to an extent not available in the open market and helps customers develop product loyalty.

Differential pricing

The CWB can sell grain of similar quality into different markets on the same day at different prices to reflect various market factors. This advantage means that the CWB can compare on the same day who will pay the highest price. During the years 1985-86 and 1993-94, when export subsidies were especially prevalent, the CWB was estimated to have added between $557 and $690 million per year ($27.84 per tonne to $34.50 per tonne) over what multiple sellers would have realized.

Risk management

In order to compare the cost of marketing CWB grains with non-Board grains, the economists compared the costs of risk management for wheat, flax and canola. They found that pooling wheat sales revenues and allowing the CWB to work with part of the sales revenue through the year was much less costly than managing a margin between buying and selling. The average risk management costs for flax and canola were found to be at least $5.53 per tonne higher than the cost of managing a wheat transaction through the CWB.

Product loyalty

Besides high quality wheat, the study found that the CWB provides reliability, support services and a consistent product. Because many customers want these additional services, the CWB, through single-desk selling, is able to charge a premium.

In a multi-seller environment there would be less of an incentive to provide these services because competitors would minimize the benefits.

A case study

In order to assess the value of the CWB's market development work, the authors studied CWB sales to Brazil. When Brazilian wheat imports were privatized in 1990, it was believed the multiple-buyer scenario would hamper the CWB's sales effectiveness. Instead they found that since market liberalization, Canadian sales have increased to more than 25 per cent of the market share while U.S. sales declined to negligible levels.

In interviewing the millers, the economists found the CWB has marketed western Canadian wheat in the Brazilian market as a consistently superior product and has guaranteed good after-sales service. Brazilian millers have not only been willing to buy Canadian wheat, they have also been willing to pay a premium for it.

above

The benefits of single-desk selling are announced at a Winnipeg news conference.

right

Canadian wheat and barley is used to produce a wide array of products.

Change for the better

The CWB has an ongoing program to continue improving operations. A new financing program, a wheat quality discussion paper and a special delivery program for fusarium-affected wheat were among the significant initiatives in the 1995-96 crop year.

New financing program

In March 1996, the CWB implemented a new Euro Commercial Paper Program. Participation in the new financing program gives the CWB lower-cost financing and helps increase the CWB's presence in the global financial market.

The Euro Commercial Paper Program is the CWB's second program established in the Euro Market and complements the CWB's two North American commercial paper programs. Together these programs provide more than $5 billion to finance the CWB marketing operations.

Discussion paper on wheat quality

In June 1996, the CWB and Canadian Grain Commission circulated a wheat quality discussion paper to grain industry organizations. The paper focused on some of the challenges facing the Canadian grain industry and described four alternatives for the future: the current system; a system with the current Kernel Visual Distinguishability (KVD) for all classes of wheat but with modified quality parameters for registration; a system with the current KVD only for Canada Western Red Spring wheat and Canada Western Amber Durum; a system without KVD requirements for all classes of wheat.

Discussion with grain industry partners during 1996-97 will help formulate the direction that will be taken on this important issue, which is so critical to the financial well-being of farmers.

Fusarium-affected wheat delivery program

The CWB and the Western Grain Elevator Association offered a special delivery program for wheat affected by the fungal disease, fusarium head blight. Under the program, certain classes and grades of wheat were accepted with fusarium damage above the tolerances at country elevators. That way, farmers were paid a price which reflected the quality of their high-grade wheat minus a discount for fusarium content.

The Western Grain Marketing Panel

The 1995-96 crop year will be remembered as the year of the Western Grain Marketing Panel (WGMP). The CWB participated fully in the process. Many of the CWB's suggestions for improvement were in fact accepted by the WGMP and recommended to Agriculture and Agri-Food Minister Ralph Goodale. As a result of the marketing review, Canadian farmers will have an agency with a new corporate structure, the ability to improve cash flow and more flexibility.

Corporate structure

Farmers will soon be directly involved in the corporate governance of their wheat and barley marketing organization. The WGMP recommended that a board of directors – with farmer representation – be appointed by the Government of Canada. It was further recommended that these appointed farmers be replaced later by elected farmers. If passed into legislation, this will result in direct accountability to farmers by the CWB regarding its policies and operations.

Cash flow

If the Minister's proposals are passed into law, many of the concerns some farmers have regarding cash flow will be addressed. Farmers will no longer have to wait until January for their final payment, adjustment payments can be sent out sooner, some cash buying will take place and farmers can be paid grain storage and carrying costs.

However, because the CWB will move from the status of a federal agency to a mixed enterprise, farmers may no longer enjoy the government guarantee on the adjusted portion of initial payments. As a result, it will be necessary for the CWB to establish a contingency fund or a financial "backstop" to cover any deficits in the pool accounts that may occur as a result of increasing initial payments.

Transferring entitlement of producer certificates is another way to improve cash flow to farmers. When a farmer settles for delivery of wheat or barley to the CWB, producer certificates are issued entitling the farmer to future payments for that grade of grain. Currently, producer certificates are not negotiable or transferable. However, if the proposed changes come into effect, farmers could eventually be able to transfer or trade their entitlement to future payments to a third party. This would give farmers more flexible cash flow without risk to the pool accounts.

Satisfying Customers

ESTABLISHING AND DEVELOPING new markets for western Canadian wheat and barley is a top priority. The CWB's Sales and Market Development Division works with customers at home and abroad to develop new demand for Prairie grain.

Markets

Around the World

IN 1995-96, MARKET DEVELOPMENT STAFF were involved in a number of technical missions to support CWB sales and encourage the use of Canadian grain. This included missions to every corner of the globe to meet with customers to show them how best to use Prairie wheat and barley. It also involved working with established and prospective customers to test new varieties.

Testing the product

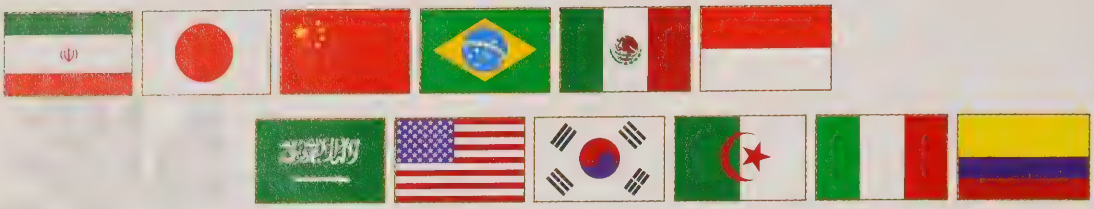
The implementation of a market development plan for AC Karma was a major market development activity in 1995-96. AC Karma is a variety of Canada Prairie Spring (White) wheat that was developed primarily for Asian noodles Fourteen mills in five Asian countries performed full assessments of AC Karma to see if it met their noodle-making requirements. The results of this collaborative study helped to further the CWB's knowledge of the noodle market and provide insight into quality characteristics needed in new grain varieties. Growers of AC Karma were provided with information on market development efforts to encourage them to plant the new variety in 1996

Looking for the best

Market development efforts for barley reflected the increased demand for malt and malting barley around the world and the growing need for tighter quality specifications. In addition to introducing a number of measures to protect Canada's reputation for quality, the CWB developed an initiative to increase the quantity of selectable quality malting barley

As a member of the Barley Development Council, the CWB played an important role in organizing a malting barley quality competition for Western Canada in 1996. Barley growers who had malting barley selected prior to October 18, 1996, were automatically entered into the competition. Grain companies and malt companies then nominated test samples. The best two-row and six-row samples submitted from regional crop districts were chosen in November 1996 Winners of the competition will have a chance to meet their barley customers in their home country

above Canadian technical experts provide advice to a malting barley end user in Dalian, China.



Measuring Results

[illegible]s reputation for quality products and services extends around the globe. International grain buyers [illegible] western Canadian grain for its consistent quality. They also recognize the Canadian grain industry [illegible] such as excellent customer service, good technical support and dependable supply.

In performing their review of the grain industry, the Western Grain Marketing Panel's consultants [illegible] customers to see how they rated Canada among other grain exporters. The rating concluded that [illegible]WB is number one in terms of intrinsic quality, cleanliness, consistency, technical support, long-term [illegible]endability and customer service.

The CWB was also rated as having the highest prices, which is evidence that single-desk selling [illegible] price premium for Prairie farmers.

Rating of grain exporters by importers**

	Argentina	Australia	Canada	EU	U.S.
[illegible]	4.0	3.7	3.6	3.0	4.3
[illegible]	3.6	3.3	4.1	3.6	4.5
[illegible]	1.5	2.0	3.1	1.6	3.7
Intrinsic Quality	3.2	4.3	4.5	3.3	3.6
Cleanliness	3.0	[illegible]	4.5	3.6	3.2
Consistency	2.6	4.4	4.6	3.5	4.1
Technical Support	1.9	3.8	4.3	2.1	3.1
[illegible]	1.3	2.9	2.7	2.5	2.6
Dependability	2.9	3.5	3.9	3.0	3.6
Contract Execution	3.4	4.3	4.3	3.8	4.0
Customer Service	2.1	4.1	4.2	3.3	3.7

* Importers' rating on a scale of 1 to 5 with 5 representing the highest rating

** Western Grain Marketing Panel Report, page 52

The Canadian International Grains Institute (CIGI)

Working with customers in technical and educational programs is another facet of market development. By working with both current and potential customers to show them how best to use western Canadian wheat and barley, the CWB and its partners in the grain industry can increase demand for Prairie grain.

In addition to holding established programs in Canada and abroad, the Canadian International Grains Institute (CIGI) offered four new programs for the 1995-96 crop year. The First International Durum Wheat Program brought 27 current and prospective durum customers from around the world to Canada to learn more about western Canadian durum and the Canadian grain industry. The International Wheat and Flour Evaluation Program brought together 16 of the best known quality control/technical service staff from countries around the world to share their expertise.

A special Latin American program was arranged for customers and potential customers of Canadian malt and malting barley.

There was also a new program that brought farmers closer to their customers. Eighteen Prairie farmers were selected to participate in the Marketing to Meet the Customers' Quality Requirements course. The course focused on quality issues and details of the CWB sales planning process. This gave farmers a better insight into what customers want and what farmers can do to meet customer needs.

Programs and activities undertaken by the CWB in partnership with CIGI, the Canadian Grain Commission and the Canadian agriculture industry included:

1995 - 1996

DATE	PROGRAM
July 24 - Aug. 3/95	Fifth International Malt & Malting Barley Program
Aug. 28 - Sept. 1	Grupo Tablex (Mexican Technical Program)
Sept. 18 - 23	Algeria-Canada Durum Wheat Program (French)
Oct. 23 - 30	First International Durum Wheat Program
Nov. 6 - 9	17th Canadian Feed Technology Course
Nov. 21 & 23	Italy-Canada Wheat Symposium (Offshore)
March 25 - 29	Marketing To Meet The Customers' Quality Requirements
March 27 - April 3	South Africa Wheat Industry Program (Offshore)
April 29 - May 16	Tenth International Feed And Oilseed Program
May 6 - 14	Iran-Canada Exchange Program
May 27 - June 13	30th International Grain Industry Program
June 17 - 21	Seberang Milling Program
June 24 - 28	International Wheat And Flour Evaluation Program
July 15 - 25	Latin America Malt And Malting Barley (Spanish/Portugese)

Adding Value

THE CANADIAN WHEAT BOARD (CWB) has long recognized the Canadian [illegible] as one of its most important and reliable customers.

at Home

AS WITH overseas customers, the CWB works hard to establish solid relations with the millers and maltsters in Canada. Canadian mills are the second largest customer group for western Canadian milling wheat, purchasing about two million tonnes of milling wheat a year, of which about 25 000 tonnes is durum. The Canadian maltsters are the largest customer group for western Canadian barley, purchasing nearly 1.2 million tonnes of malting barley for domestic brewing and malt exports.

Balancing producer returns and adding value

The objective of the CWB is to achieve a reasonable market return from the sale of wheat and malting barley in the domestic market. The CWB must balance this objective with the need of processors to source grain at a price that allows them to compete in the finished product market. Most farmers readily acknowledge the need for a vibrant value-added sector. But farmers have told the CWB they do not support lowering returns below competitive values for wheat and barley sales in order to encourage investment in the domestic processing industry.

Working together

The CWB has made a concerted effort to work with the millers, maltsters and farmers who want to expand their role in the food processing industry in Canada. The success of this effort is evident in the increase in the use of domestic processing facilities. The Canadian National Millers Association says Canadian flour mills are now operating at about 90 per cent of capacity. New processing facilities and investments are also being considered. This compares to 72 per cent as recently as five years ago.

The area of greatest success for the value-added sector in Western Canada is the growth and development of the Canadian malting barley industry. Close cooperation between the industry and the CWB has expanded the volume of malting barley selected in Western Canada and increased revenue. It has also resulted in a dramatic expansion and full use of the Canadian malt plant capacity. Canadian maltsters currently have an annual malt barley capacity of slightly over one million tonnes. About 350 000 tonnes of the malt produced in Canada is used by domestic brewers each year, while the remainder is exported. Working closely together, the CWB and domestic maltsters have expanded sales into growing markets such as Latin America.

The growth of our domestic processing industry is possible because of the competitive nature of the CWB's wheat and barley pricing in North America. In pricing to domestic users, the CWB strives to reflect accurately North American market values for grains of like quality. As well, the assurance of quality which comes with using western Canadian wheat and malting barley means processors in Canada can provide their customers with a top quality product.

To provide farmers with more flexibility to market their own processed grain in Canada, the CWB introduced a provision making it easier to move grain products between provinces. This was done to accommodate farmers who want to add value to their own grain and develop regional markets.

The push for more growth

Over the past year there has been a lot more interest in value-added processing by communities and individuals across the Prairies. The CWB has offered its expertise and support to initiatives such as flour mills, pasta plants, starch-gluten plants and ethanol facilities.

To increase the momentum in exploring new avenues for Canadian products, the CWB held its first conference on adding value. The conference, "Moving Up Market," was held in Saskatoon, Saskatchewan in June 1996. It brought together farmers, scientists and industry representatives to share ideas and views on adding value at home. This augurs well for the future as Canada positions itself to capture its share of food trade in the next century.

Strengthening

ONE OF THE CWB'S challenges is to communicate effectively with 120,000 farmer stakeholders spread out across three provinces. The CWB recognizes that farmers want, and need, up-to-date information about their marketing agency. The CWB must also stay in close communication with farmers so that CWB policies reflect their needs. A two-way flow of information is vital to the continued success of the CWB.

Success

the Partnership

Farmers shaping policy

Farm focus meetings are crucial to shaping CWB policy. In 1995-96, farmers were asked about changes relating to CWB contracts, storage payments and permit applications. The CWB begins developing its grain delivery policy well in advance of the start of the crop year. Focus groups ensure that farmers have a chance to review changes and provide feedback well before the policy is implemented.

In one series of focus group meetings, farmers were asked for their opinions about the written material sent out by the CWB. As a result of their input, CWB staff made extensive changes to several documents in an effort to make them easier to understand. This is part of an ongoing effort to make sure that all the CWB's printed material is both clear and concise.

Farmers respond to better service

The implementation of the 1-800 call centre in 1995-96 is a communications success story. This toll-free line, 1-800-ASK-4CWB (1-800-275-4292), gets about 2,000 calls per week. The new line has meant better service for farmers while ensuring that the CWB is always on top of issues important to growers.

CWB staff are also available to speak to farmers at their request. Over the course of the year, this included making presentations to grain marketing clubs and delegates from grain co-operatives and grain companies. In addition, the CWB took part in trade shows across the Prairies. These trade shows provide farmers with an informal atmosphere to put their questions directly to CWB staff. Sixteen Area Representatives working in different regions across the Prairies also provide the CWB with regular feedback from farmers and country elevator staff.

right Pat Elazar receives calls on the CWB's 1-800 line.

Meeting with thousands

In 1996, Grain Day meetings were held in 14 locations across the Prairies. At each meeting, a CWB Commissioner made a presentation around the theme "Towards 2000." These full-day meetings, held in conjunction with the CWB's farmer-elected Advisory Committee, provided farmers with plenty of time to ask questions and make suggestions for improvement. More than 1,500 farmers came out to Grain Day meetings.

The CWB also met with farmers out in the field. The CWB's annual crop plot field days were held in more than a dozen locations. CWB staff were on hand to talk about different customers that buy western Canadian wheat and barley and the end uses of these grains. Once again, more than 1,500 farmers participated in the crop plot tours.

Farmer-elected Advisory Committee

The farmer-elected Advisory Committee is another valuable link to producers. The committee is made up of 11 farmers, each representing a different district across the Prairies. The committee's role is to provide the CWB with advice on operational and policy issues. In 1995-96, a portion of the Advisory Committee's work related to the Western Grain Marketing Panel report. The committee filed its own position paper in response to the Western Grain Marketing Panel report and participated in the panel's hearing process. The committee was also active in advising on other issues including transportation, producer contracting and employee compensation and benefits.

In May 1996, the Advisory Committee elected a new Chairman and Vice-Chairman. John Clair was elected Chairman, taking over from Wilfred Harder, who stepped down from the position after five years. Terry Hanson was elected Vice-Chairman. The Advisory Committee continues to act as a conduit for the farm community, providing the CWB with important feedback and advice.

Staying in tune with farmers

The CWB's bi-monthly publication, *Grain Matters*, is mailed to permit book holders. This publication keeps farmers informed about the latest grain industry news and keeps them in tune with new markets for their grain.

In 1995-96, a new project began, which aimed at improving communications with farmers. *CWB This Week* is a bi-weekly newspaper column featured in rural newspapers across the Prairies. The column allows better communication with farmers on topics ranging from how to contract grain to reviewing Canada's transportation system.

Visitors who want to tour the CWB building in Winnipeg and meet staff are welcome to do so. Plans are in the works in 1996-97 to invite even more farmers to take a closer look at their marketing agency through organized bus tours.

The CWB will continue to seek out new ways to communicate with farmers, including the launch of an Internet site. By working in partnership with farmers, we can only strengthen our position as the world's leader in marketing grain.

Farmer-Elected Advisory Committee

Our Strength

ONE OF THE MOST IMPORTANT RESOURCES of any organization is the people who work for it. This holds true for the CWB as much as any other organization. Innovative, flexible and well-educated people are essential in today's dynamic, rapidly changing grain industry.

is Our People

WHO MAKES UP OUR TEAM

The CWB prides itself on its highly-qualified, well-trained staff. Changes in the international market, new computer technology, greater application of risk management tools and more diverse methods of raising funds to cover operating costs have resulted in an increased demand for people with specific professional/technical training

Experts in such areas as sales, market development, market analysis, grain transportation, finance, weather and crop surveillance and communications are essential to deal with the many challenges currently facing the grain industry. This requires special education and training in such fields as agricultural economics, accounting, information technology, remote sensing and journalism, just to name a few examples. Given the international aspects of our business, multi-language skills are considered an asset. It is also beneficial to have a farming background when addressing the needs of our farmer stakeholders.

Senior Management Team *above left to right*

Robert Roehle, *Head, Corporate Communications*
Adrian Measner, *Executive Director, Marketing*
Ward Weisensel, *Head, Corporate Policy*
Bill Spafford, *General Director, Sales and Market Development*
Margaret Redmond, *General Counsel and Corporate Secretary*
Larry Nentwig, *General Director, Finance*
Pat Wallace, *Executive Director, Human Resources*
Donald Vernon, *Executive Director, Finance and Treasurer*
Jim McDonald, *General Director, Country Services*
John Benci, *General Director, Grain Transportation*
Cecil Wright, *General Director, Information Technology*
Brian Oleson, *Executive Director, Planning and Communications*

Page 20
Wendi Thiessen, *Treasury Officer*

Pages 22/23 clockwise from top left

Haiguang Shi,
General Manager, Beijing Office

Theresa Navis,
Graphics Officer

Earl Geddes,
Value-Added Program Manager

Juan Fang,
Weather and Crop Surveillance Analyst

Tracy Kowal,
Marketing Manager,
Latin America and Caribbean

Andrea Carlson,
Treasury Officer

There are a number of values or required behaviors that we encourage in all our employees. These are tied to the strategic direction of the organization, which focuses on meeting the needs of grain customers and providing more accountability to farmers. Staff performance reviews are based on how well employees meet these requirements. At the professional/technical level, the required behaviors focus on customer/producer service, relationship building and team orientation. For management, the focus is on human resource management capabilities, customer/producer service and leadership skills.

To ensure that the CWB can attract appropriate staff to meet the challenges of today's grain industry, a competitive compensation program has been developed. The objective of this program is to attract, motivate, reward and retain competent staff and to ensure competitiveness, consistency and fairness in compensation practices.

Other programs offered or developed during the 1995-96 crop year, which assisted in achieving the strategic goals of the organization, included the introduction of a

system of incentive/performance pay program for the 1996-97 crop year and in-house and external programs to support staff development

As of July 31, 1996, there were 454 full-time employees of the Canadian Wheat Board Most of these people are located in the Winnipeg head office but small offices are located in Vancouver, Tokyo and Beijing The Montreal office was closed in December 1995 as a result of shifting market demand from East Coast to West Coast ports Of the number of full-time employees, there are 16 Area Representatives, who reside in smaller centres across the Prairies. They serve as an important communication link between farmers and CWB staff.

Senior staff changes in 1995-96

There were a few senior staff changes during the 1995-96 crop year. Commissioner Ken Beswick resigned in April 1996. Donald Vernon was appointed Executive Director. Finance and Treasurer. replacing David Olfert who had retired from that position in June 1995. Margaret Redmond assumed the responsibility of Corporate Secretary when Lucille Evans retired in August 1995

A Banner Year

THE TIGHTEST WORLD WHEAT and coarse grains stocks in 20 years [illegible] CWB pool returns at export position for wheat, durum, feed barley and malting barley to their highest levels ever. Total revenue on 22 million tonnes delivered to all four pool accounts in 1995-96 reached $5.6 billion dollars.

for Grain Prices

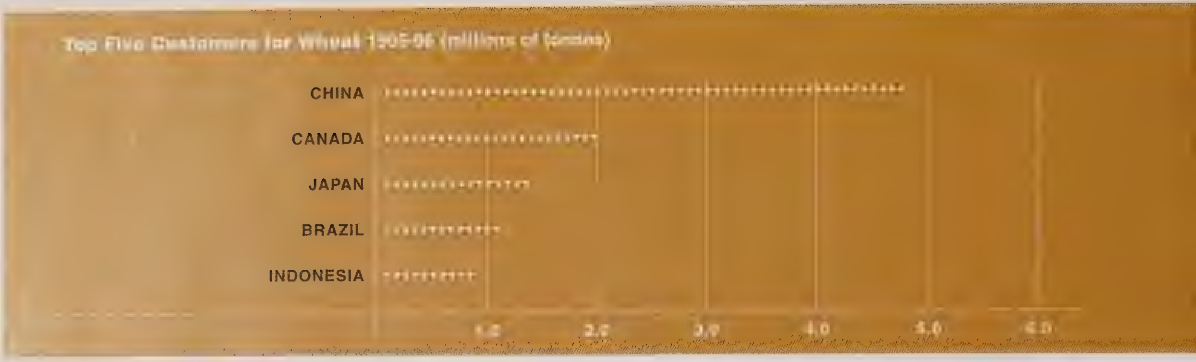
THE BANNER YEAR FOR GRAIN PRICES in Western Canada came when both world wheat and coarse grain supplies were at extremely low levels. Wheat stocks among the five major exporters — the United States, the European Union, Canada, Australia and Argentina — at the end of the 1995-96 crop year were only 28.2 million tonnes. World wheat stocks as a percentage of annual consumption were only 17 per cent or about 60 days of wheat supply — the lowest on record.

For coarse grains, the situation was also tight. World stocks, as a percentage of annual consumption, were 11 per cent or about 40 days of feed — also a record low.

The reduced stocks were due to two key factors: a gradual but significant decline in world wheat and coarse grains area and poor yields in the last few years on a worldwide basis.

Since 1985, world wheat plantings dropped by about five per cent while world coarse grains plantings shrank by 10 per cent. This decline in seeded acreage was due to a shift toward oilseed area which increased 28 per cent over the same period. The Canadian seeded area was part of this trend. Since 1985, both Canadian wheat and coarse grains plantings have fallen by 17 per cent while oilseed plantings increased by 90 per cent.

Wheat yields for both 1995-96 and previous crop years were five per cent below the long-term trend on a worldwide basis due to weather conditions. The drought in Australia in 1994-95, for example, cut Australia's wheat and barley production by half. In 1995-96, Argentina was hit by drought, while the Australian crop only rebounded slightly. The Former Soviet Union, the U.S. and Canada all had below-average production in 1995-96.

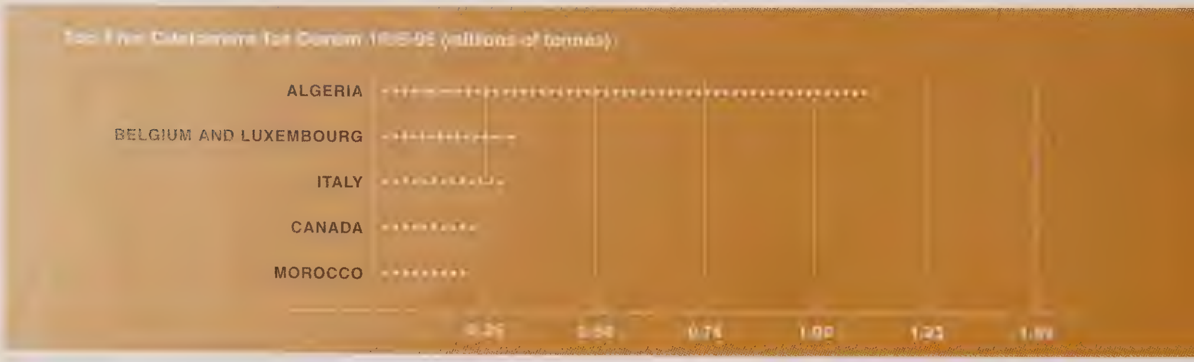


In coarse grains, worldwide yields were three per cent below trend in 1994-95 and two per cent below trend in 1995-96, the latter mainly due to a reduced U.S. corn crop.

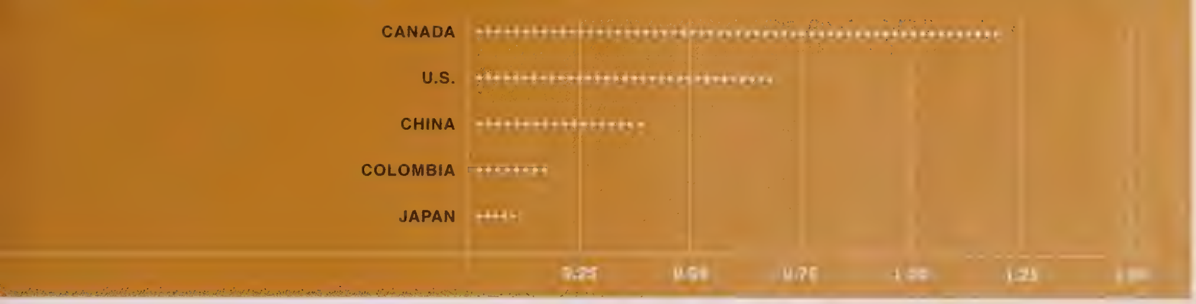
With world wheat and coarse grain stocks at such low levels, the EU and the U.S. both stopped using export subsidies. In July 1995, the U.S. stopped using its Export Enhancement Program (EEP) on wheat and barley. In December 1995, the EU began taxing exports in order to keep grain at home for domestic use. The EU export tax reached US $23 per tonne compared to wheat export subsidies of as high as US $85 per tonne in previous years. That represented a difference of US $108 per tonne or Cdn $3.79 per bushel, using an exchange rate of $1.35.

Demand in 1995-96 remained reasonably strong in both developed and developing countries in spite of high prices and the virtual elimination of the Former Soviet Union from the import market. China was once again the CWB's top customer. Wheat exports to Japan and Brazil increased while sales to South Korea and Iran dropped substantially. Algeria was again the top customer for durum. For feed barley, the United States was displaced by Saudi Arabia and Japan as major customers, while for malting barley, the U.S and China were top customers.

Canadian domestic use of wheat, including durum, increased by 300 000 tonnes from the previous year to 7.9 million tonnes, reflecting higher seed and feed use. Domestic use in barley rose slightly to 10.2 million from 9.7 million tonnes. CWB sales of wheat to the domestic milling market were 2.0 million tonnes while sales of malting barley



Top Five Customers for Malting Barley 1995-96 (millions of tonnes)



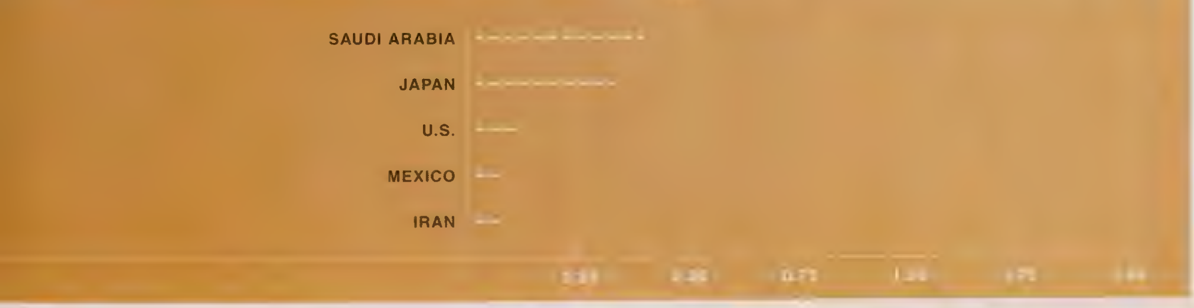
to domestic maltsters for production of domestic and export malt climbed to 1.2 million tonnes.

The 1995-96 crop year couldn't match the fast start on grain movement experienced in the previous year. By February/March 1996, exports of wheat, durum and barley were running about 30 per cent behind the previous year's performance. There were two reasons for this: 1) reduced Canadian production; and 2) with the elimination of the Western Grain Transportation Act or "Crow Benefit" on August 1, 1995, the CWB moved most available supplies the previous crop year so that farmers could still take advantage of the rail freight subsidy.

Transportation problems arose in the December to March period, mainly due to an exceptionally cold winter. Temperatures of around -30°C for many consecutive days in January and February caused producer deliveries and overall grain movement to slow down. There were also train derailments during this time. The effects of the three-week cold snap were felt throughout the system in the following months.

Border pressure from farmers and truckers wanting to access the U.S. market was considerable during 1995-96. In the rising market, the CWB's initial payments and Pool Return Outlooks (PROs) lagged behind U.S. spot prices. This is because pooled prices incorporate all sales since the beginning of the crop year and, in a rising market, will increase only as sales are made. During this time, the CWB, while selling at premium values directly to end-users in the U.S., was also servicing higher-valued offshore markets with both wheat and barley sales.

Top Five Customers for Feed Barley 1995-96 (millions of tonnes)



The quality of western Canadian wheat was better than 1994-95, with close to 80 per cent of the Canada Western Red Spring (CWRS) wheat class falling into the top two grades.

WHEAT

Western Canadian non-durum wheat production totaled 18.8 million tonnes in 1995. While up from the previous year, this level of production remained well below the previous five-year average of 22 million tonnes. Wheat acreage increased over the previous year with over 21 million acres of wheat planted in 1995. Conversely, canola acreage decreased from 14 million acres in 1994 to 12.9 million acres in 1995.

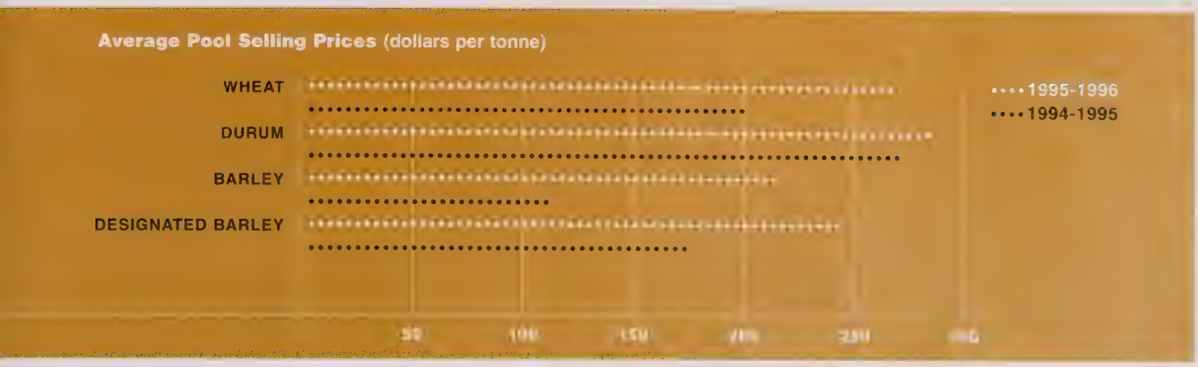
Despite the late harvest on the Prairies, the quality of western Canadian wheat was better than 1994-95, with close to 80 per cent of the Canada Western Red Spring (CWRS) wheat class falling into the top two grades. Only four per cent of the CWRS crop graded feed wheat quality and there was virtually no Canada Western Feed wheat available for export.

Protein levels improved slightly from the 12.9 per cent figure in 1994-95, with No. 1 and 2 CWRS having an average protein content of 13.2 per cent and 13.0 per cent, respectively. Protein levels were still below the long-term average of 13.6 per cent.

The effect of tight world stocks on prices can easily be seen in Exhibit II (page 36). The average sales value in the wheat pool account rose from $199 in 1994-95 per tonne to a record $265.61 per tonne in 1995-96. Receipts from producers totaled almost 14.4 million tonnes in 1995-96, down 250 000 tonnes from the previous year. Deliveries totaled 11.5 million tonnes of Nos. 1 and 2 CWRS and 788 659 tonnes of No. 3 CWRS. Deliveries of other types of wheat amounted to 2.06 million tonnes, of which only 94 064 tonnes was Canada Western Feed.

Operating costs on the wheat pool were down $17 million dollars from the year before. Terminal storage charges were lower due to reduced average inventory levels. Freight charges dropped to more normal levels in 1995-96 amounting to $6.9 million, compared to $17.8 million in 1994-95. Charges in 1994-95 were elevated because of the repeal of the Western Grain Transportation Act on August 1, 1995. This meant that grain in country elevators at July 31, 1995 had to be moved at the full freight rate. Interest earnings of more than $61 million dollars also brought operating costs lower. Falling interest rates throughout 1995-96 allowed the CWB to increase its net interest earnings. Demurrage increased to $9.8 million as a result of the January/February cold snap, which backed up West Coast shipping from February through to May. Carrying charges incurred by the CWB for storage and interest charges on wheat in country elevators also increased because of above average initial payments throughout the year.

The CWB accepted all wheat offered on Series A, B, C and D contracts.



Durum was exported to over 30 countries in 1995-96, with Algeria as the top customer, importing 1.1 million tonnes. Italy, Belgium and Luxembourg, Morocco and Venezuela rounded out the top five customers.

DURUM

While the production of Canada Western Amber Durum (CWAD) wheat in Western Canada increased relative to 1994-95, the quality was down slightly. Only 45 per cent of the crop fell into the top two grades, compared to over 50 per cent last year.

The protein content in CWAD was again disappointing with average levels at around 11.8 per cent. This compared unfavorably to the long-term average of 13.5 per cent. The overall quality of durum however, apart from its extremely low protein content, was good and similar to that of the 1994 crop.

While Canadian durum seeded area dropped slightly from 1994-95, production increased due to improved yields. The average sales value of the durum pool was $284.48 per tonne, reflecting the worldwide shortage of high-quality durum in 1995-96. Receipts from producers were similar to last year at four million tonnes. Most of these supplies were exported.

Durum was exported to over 30 countries in 1995-96, with Algeria as the top customer, importing 1.1 million tonnes. Italy, Belgium and Luxembourg, Morocco and Venezuela rounded out the top five customers.

Costs to the durum pool account increased slightly in 1995-96. Carrying charges increased to over $14 million largely because initial payment values were higher than in previous years. Additional freight to terminals increased by over $2 million because more grain was moved from areas outside of the traditional catchment areas. Despatch of $781,718 was also earned because of smoother grain movement through the East Coast as compared to the West Coast.

The CWB accepted 100 per cent of durum offered under Series A, B, C and D contracts.

FEED BARLEY

Western Canadian barley production increased over 1994-95, with 12 million tonnes of barley produced. Receipts from producers also increased with just under 1.3 million tonnes delivered to the pool. The average sales value also increased to $210.30 per tonne — a record high value.

The CWB focused its export sales on the premium Japanese market in 1995-96 and appealed to farmers to deliver feed barley early in the crop year so that premium values could be obtained. Japanese Food Agency tenders in early November 1995 were between $5.53 and $5.58 per bushel, f.o.b. Pacific.

The CWB expected feed barley prices to soften later in the crop year as new crop supplies entered the market and announced that deliveries late in the year would not be accepted if they had to be priced at values that would lower the pool.

Designated barley receipts from producers were record breaking for the second year in a row at 2.5 million tonnes.

The CWB accepted 100 per cent of feed barley offered under Series A and B contracts, 50 per cent of feed barley offered under Series C contracts and 100 per cent offered under Series D.

Costs to the feed barley pool were reduced substantially from 1994-95. Demurrage charges applied to the pool account totaled $283,000 in 1995-96 compared to over $7 million in 1994-95. Carrying charges increased on the feed barley pool due to increased inventory. Also, more CWB administration expenses were assessed to the feed barley pool because it accounted for a higher proportion of total deliveries to the CWB.

Saudi Arabia was our largest feed barley customer in 1995-96, followed closely by Japan. The U.S., after buying over 500 000 tonnes in 1994-95, dropped imports to less than 100 000 tonnes in 1995-96.

DESIGNATED BARLEY

Overall, there were good quantities of barley acceptable for malting in 1995-96. Analysis of predominant two-row malting barley variety samples showed a higher percentage of plump kernels compared to the past few years.

Receipts from producers were record breaking for the second year in a row at 2.5 million tonnes. The annual sales value was $243.20 per tonne, compared to $173.50 the year previous.

China, Colombia and Brazil were the largest customers for two-row malting barley. There was strong demand from the U.S. for six-row malting barley.

Costs to the pool were $0.48 per tonne, down from the previous year. Unlike previous years, there were costs due to carrying charges. This happened because the CWB encouraged country elevators to pay farmers in full at the time of delivery, moving away from the system of using only consigned carlots to get the product to export position. As such, the CWB paid storage and interest to the country elevator companies for the time that the grain was stored and financed by them. The CWB also paid additional freight to terminals for 20 cars of hulless barley which were sold to Japan for the food market. Interest earnings increased because of the larger pool volume and higher values compared to 1994-95.

Total revenue on 22 million tonnes delivered to all four pool accounts in 1995-96 reached 5.8 billion dollars.

Financials Index

INDEX TO FINANCIAL STATEMENTS
July 31, 1996

CWB
The Canadian Wheat Board
La Commission canadienne du blé

MANAGEMENT REPORT

The financial statements of the Canadian Wheat Board together with other information contained in this annual report have been prepared by management, who have full responsibility for them, and approved by the Board. These statements reflect the results for the year ended July 31, 1996 and the financial status of the CWB as at that date.

Management's responsibility includes ensuring that the financial statements are prepared in accordance with generally accepted accounting principles appropriate in the circumstances and consistently applied, and that appropriate systems of internal controls and formal policies and procedures are in place to ensure the integrity and reliability of accounting and financial reporting, as well as the safety of all of the organization's assets.

Deloitte & Touche, Chartered Accountants, the CWB's external auditors, have performed an independent examination of the financial statements in this report. Management has made available to the external auditors all financial records and related data.

The Canadian Wheat Board is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Commissioners, along with the Chairman of the CWB Advisory Committee, act as an Audit Committee in exercising this responsibility. The committee meets with the external auditors to discuss the results of the audit and the evaluation of the CWB's internal controls. The Internal Audit Department, reporting directly to the Audit Committee, has a mandate to provide timely recommendations and assessments concerning the effectiveness of internal controls. The committee reviews the action taken by management with respect to the recommendations made by the internal and external auditors.

D. E. Vernon

Donald E. Vernon, C.A.
Executive Director, Finance and Treasurer

Adrian Measner

Adrian Measner
Executive Director, Marketing

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Auditor's Report

Deloitte & Touche

Deloitte & Touche
Chartered Accountants
360 Main Street, Suite 2200
Winnipeg, Manitoba R3C 3Z3
Telephone: (204) 942-0051
Telecopier: (204) 947-9390

AUDITORS' REPORT

To the Canadian Wheat Board:

We have audited the financial statements of the Canadian Wheat Board set out as Exhibits I to IX and notes thereto which include the balance sheet at July 31, 1996 and the statements of operations and distribution of earnings to producers for the 1995-96 pool accounts for wheat and barley for the period August 1, 1995 to completion of operations on July 31, 1996 and for amber durum wheat and designated barley for the period August 1, 1995 to completion of operations on September 30, 1996, the statement of cash flow for the year ended July 31, 1996, the statement of advance payments to producers under the Prairie Grain Advance Payments Act as at July 31, 1996, the statement of administrative and general expenses and allocations to operations for the year ended July 31, 1996, and the statement of special account transactions for the year ended July 31, 1996. These financial statements are the responsibility of the Canadian Wheat Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Canadian Wheat Board as at July 31, 1996 and the results of its operations and the changes in its financial position for the periods shown in accordance with generally accepted accounting principles.

Deloitte & Touche

Deloitte & Touche

Winnipeg, Manitoba
December 20, 1996

Deloitte Touche Tohmatsu International

BALANCE SHEET
as at July 31

	1996	1995
ASSETS		
Accounts Receivable		
Credit sales (Note 3)	$6,653,277,799	$6,731,555,955
Completed sales	25,669,295	69,948,437
Prairie Grain Advance Payments Act	52,651,783	63,080,272
Other	21,433,734	6,067,583
	6,753,032,611	6,870,652,247
Stocks of grain (Note 4)	1,432,610,530	1,096,984,965
Deferred and prepaid expenses (Note 5)	51,440,276	28,398,643
Fixed assets (Note 6)	44,162,927	47,304,606
TOTAL ASSETS	$8,281,246,344	$8,043,340,461
LIABILITIES		
Borrowings (Note 7)	$6,459,297,949	$6,492,291,399
Accounts payable and accrued expenses (Note 8)	107,957,005	89,626,603
Liability to agents of the CWB (Note 9)	1,159,716,160	651,706,561
Liability to Producers (Note 10)	545,233,825	801,177,621
Provision for final payment expenses (Note 11)	5,805,860	6,053,405
Special Account--net balance of undistributed payment accounts (Note 12)	3,235,545	2,484,872
TOTAL LIABILITIES	$8,281,246,344	$8,043,340,461

APPROVED

Lorne F. Hehn
Chief Commissioner

Richard H. Klassen
Commissioner

Gordon P. Machej
Commissioner

Donald E. Vernon
Executive Director, Finance and Treasurer

Exhibit II

1995-96 POOL ACCOUNT - WHEAT
STATEMENT OF OPERATIONS AND
DISTRIBUTION OF EARNINGS TO PRODUCERS
for the period August 1, 1995 to completion of operations on July 31, 1996
(with prior year comparatives for the period ended August 31, 1995)

	1995-96		1994-95	
	Amount	Rate per Tonne	Amount	Rate per Tonne
Receipts from Producers: Tonnes	**14 352 453**		**14 640 658**	
Revenue (Note 15)	$3,812,102,708	$265.606	$2,919,771,669	$199.429
Deduct Operating Costs				
Country Elevator Carrying Charges	53,088,474	3.699	47,772,308	3.263
Terminal Storage	8,309,959	0.579	12,394,015	0.847
Demurrage / Despatch	9,884,097	0.688	4,633,149	0.316
Additional freight - to terminals	25,677,413	1.789	26,373,670	1.801
- freight rate change	6,958,629	0.485	17,806,373	1.216
Drying	149,237	0.010	967,387	0.066
Interest and Depreciation on CWB Hopper Cars	3,400,351	0.237	2,965,914	0.203
Administrative Expenses	27,502,595	1.916	27,172,609	1.857
Interest earnings	(61,089,432)	(4.256)	(48,853,943)	(3.337)
	73,881,323	5.147	91,231,482	6.232
Earnings Distributed to Producers	$3,738,221,385	$260.459	$2,828,540,187	$193.197
Earnings Distributed as follows:				
Initial Payments at delivery	$2,918,509,781	$203.346	$2,073,703,397	$141.640
Adjustment Payments	662,262,615	46.143	478,563,676	32.687
Interim Payment	-	-	145,292,645	9.924
Final Payment	157,283,664	10.959	130,835,493	8.936
Rebate on Producer Cars	165,325	0.011	144,976	0.010
	$3,738,221,385	$260.459	$2,828,540,187	$193.197

1995-96 POOL ACCOUNT - AMBER DURUM WHEAT
STATEMENT OF OPERATIONS AND
DISTRIBUTION OF EARNINGS TO PRODUCERS
for the period August 1, 1995 to completion of operations on September 30, 1996
(with prior year comparatives for the period ended August 31, 1995)

	1995-96		1994-95	
	Amount	Rate per Tonne	Amount	Rate per Tonne
Receipts from Producers: Tonnes	**3 973 384**		**4 068 116**	
Revenue (Note 15)	$1,130,364,370	$284.484	$1,093,295,512	$268.748
Deduct Operating Costs				
Country Elevator Carrying Charges	14,386,754	3.621	11,998,159	2.949
Terminal Storage	7,956,863	2.002	6,634,318	1.631
Demurrage / Despatch	(781,718)	(0.197)	552,796	0.136
Additional freight - to terminals	3,510,438	0.883	1,443,688	0.355
- freight rate change	1,304,605	0.328	5,133,718	1.262
Drying	78,839	0.020	134,374	0.033
Interest and Depreciation on CWB Hopper Cars	941,365	0.237	815,987	0.200
Administrative Expenses	8,004,750	2.015	7,553,119	1.857
Interest earnings	(9,334,782)	(2.349)	(9,164,415)	(2.253)
	26,067,114	6.560	25,101,744	6.170
Earnings Distributed to Producers	$1,104,297,256	$277.924	$1,068,193,768	$262.578
Earnings Distributed as follows:				
Initial Payments at delivery	$ 831,562,780	$209.284	$ 676,263,633	$166.235
Adjustment Payments	175,425,808	44.150	181,094,727	44.516
Interim Payment	41,703,041	10.496	121,066,889	29.760
Final Payment	55,592,731	13.991	89,740,937	22.060
Rebate on Producer Cars	12,896	0.003	27,582	0.007
	$1,104,297,256	$277.924	$1,068,193,768	$262.578

Exhibit IV

1995-96 POOL ACCOUNT - BARLEY
STATEMENT OF OPERATIONS AND
DISTRIBUTION OF EARNINGS TO PRODUCERS
for the period August 1, 1995 to completion of operations on July 31, 1996
(with prior year comparatives for the period ended August 31, 1995)

	1995-96		1994-95	
	Amount	Rate per Tonne	Amount	Rate per Tonne
Receipts from Producers: Tonnes	**1 267 781**		**1 059 655**	
Revenue (Note 15)	$266,619,989	$210.304	$120,312,684	$113.540
Deduct Operating Costs				
Country Elevator Carrying Charges	4,261,033	3.361	1,352,257	1.276
Terminal Storage	1,666,050	1.314	1,599,084	1.509
Demurrage / Despatch	283,322	0.223	7,143,566	6.741
Additional freight - to terminals	(635,706)	(0.501)	4,229,443	3.991
- freight rate change	1,080,912	0.853	(1,021,069)	(0.964)
Drying	13,027	0.010	540,959	0.511
Interest and Depreciation on CWB Hopper Cars	300,360	0.237	212,547	0.201
Administrative Expenses	2,442,236	1.926	1,970,956	1.860
Interest earnings	(5,970,870)	(4.710)	(4,712,224)	(4.447)
	3,440,364	2.713	11,315,519	10.678
Earnings Distributed to Producers	$263,179,625	$207.591	$108,997,165	$102.862
Earnings Distributed as follows:				
Initial Payments at delivery	$220,053,281	$173.574	$101,403,742	$95.695
Adjustment Payments	32,304,766	25.481	5,586,191	5.272
Final Payment	10,808,345	8.526	1,992,694	1.881
Rebate on Producer Cars	13,233	0.010	14,538	0.014
	$263,179,625	$207.591	$108,997,165	$102.862

1995-96 POOL ACCOUNT - DESIGNATED BARLEY
STATEMENT OF OPERATIONS AND
DISTRIBUTION OF EARNINGS TO PRODUCERS
for the period August 1, 1995 to completion of operations on September 30, 1996
(with prior year comparatives for the period ended September 30, 1995)

	1995-96		1994-95	
	Amount	Rate per Tonne	Amount	Rate per Tonne
Receipts from Producers: Tonnes	**2 549 505**		**2 260 241**	
Revenue (Note 15)	$620,029,297	$243.196	$392,143,240	$173.496
Deduct Operating Costs				
Country Elevator Carrying Charges	243,513	0.096	-	-
Demurrage / Despatch	(6,929)	(0.003)	371,587	0.164
Additional freight - to terminals	8,495	0.003	-	-
- freight rate change	(33,653)	(0.013)	-	-
Interest and Depreciation on CWB Hopper Cars	604,023	0.237	453,362	0.200
Administrative Expenses	4,885,483	1.916	4,221,791	1.868
Interest earnings	(4,468,138)	(1.752)	(3,692,079)	(1.633)
	1,232,794	0.484	1,354,661	0.599
Earnings Distributed to Producers	$618,796,503	$242.712	$390,788,579	$172.897
Earnings Distributed as follows:				
Initial Payments at delivery	$493,505,162	$193.569	$323,355,989	$143.062
Adjustment Payments	80,823,962	31.702	25,061,049	11.088
Interim Payment	-	-	15,800,510	6.991
Final Payment	33,696,550	13.217	19,248,558	8.516
Producer Contract Storage	10,770,829	4.224	7,322,473	3.240
	$618,796,503	$242.712	$390,788,579	$172.897

Exhibit VI

STATEMENT OF CASH FLOW
for the year ended July 31

	1996	1995
Cash Flow from Operating Activities		
Cash received from the sale of grain	$5,829,116,364	$4,525,523,105
Interest earned	80,863,222	66,422,661
Cash paid for operating costs	(185,484,817)	(195,426,067)
Add items not requiring an outlay of cash		
- depreciation	4,745,328	4,902,293
Cash flow from operating activities before		
working capital changes	5,729,240,097	4,401,421,992
Changes in working capital	176,462,652	203,632,179
	5,905,702,749	4,605,054,171
Cash Flow from Other Activities		
Decrease in accounts receivable - credit sales	78,278,156	273,315,177
Purchase of fixed assets	(1,603,649)	(2,180,899)
	76,674,507	271,134,278
Net Cash Flow before Distribution	5,982,377,256	4,876,188,449
Cash Distributed to Producers		
Cash balance undistributed in prior year	(524,164,822)	(669,503,418)
Current year balances distributed to Producers		
prior to July 31	(5,425,218,984)	(3,872,354,877)
	(5,949,383,806)	(4,541,858,295)
Net Increase in Cash	32,993,450	334,330,154
Borrowings at beginning of year	(6,492,291,399)	(6,826,621,553)
Borrowings at end of year	($6,459,297,949)	($6,492,291,399)

Exhibit VII

STATEMENT OF ADVANCE PAYMENTS TO PRODUCERS UNDER THE PRAIRIE GRAIN ADVANCE PAYMENTS ACT
as at July 31

	Cash Advances to Producers	Advances Repaid by Producers	1996 Balance to be refunded by Producers	1995 Balance to be refunded by Producers
Balance to be refunded by Producers				
1988-89 and prior crop years	$ 4,705,363,450	$ 4,694,737,418	$ 10,626,032	$ 11,009,424
1989-90 crop year	144,260,874	141,743,926	2,516,948	2,679,201
1990-91 crop year	1,461,790,445	1,453,035,631	8,754,814	9,990,122
1991-92 crop year	1,163,737,749	1,153,270,994	10,466,755	12,417,719
1992-93 crop year	1,081,150,782	1,066,950,537	14,200,245	19,351,257
1993-94 crop year	819,208,984	793,347,550	25,861,434	47,759,262
1994-95 crop year	524,197,302	517,154,685	7,042,617	82,106,768
1995-96 crop year	542,198,368	475,022,308	67,176,060	-
	$10,441,907,954	$10,295,263,049	146,644,905	185,313,753
Interest costs payable by Government of Canada				
Interest costs payable by Government of Canada			374,263,690	363,318,141
Deduct amounts received from Government of Canada			(373,549,555)	(362,884,742)
			714,135	433,399
Interest charges payable by Producers				
Regular interest payable by Producers			29,376,803	28,583,698
Deduct amounts received from Producers			(25,587,645)	(24,044,229)
			3,789,158	4,539,469
Default interest				
Interest received from Producers on default payments			(32,161,743)	(28,248,464)
Deduct amounts forwarded to the Government of Canada			26,860,281	22,708,061
			(5,301,462)	(5,540,403)
Deduct balance of funds received from				
Government of Canada to cover advance payments in default			(90,984,373)	(118,863,693)
Line Elevator Companies to cover advance payments in default			(1,903,388)	(2,472,354)
Line Elevator Companies to cover current advances			(307,192)	(329,899)
			(93,194,953)	(121,665,946)
			$52,651,783	$63,080,272

Since the 1990-91 crop year, the producer pays interest on the part of the cash advance that is in excess of $50,000, and the Government of Canada pays interest on advances up to $50,000 (except 1993-94 when the producer paid interest on the part of the cash advance that was in excess of $60,000 and was required to pay the first 2.25% interest on advances up to $60,000). During the 1989-90 crop year, the producer was required to pay all of the interest on the cash advance. Prior to this, the Government of Canada paid all of the interest.

Exhibit VIII

STATEMENT OF ADMINISTRATIVE AND GENERAL EXPENSES AND ALLOCATIONS TO OPERATIONS
for the year ended July 31

Administrative and General Expenses:	1996	1995
Advisory Committee (includes election expenses in 1994-95)	$ 258,516	$ 362,446
Annual report, "Grain Matters" and other CWB publications	290,812	246,616
Area representatives	299,377	277,238
Audit fees	153,000	153,000
Bonds and insurance	57,469	42,725
Canadian International Grains Institute - CWB share of operating expenses	1,400,333	1,347,850
Communications and information	262,746	73,609
Computing equipment - rentals and services	2,953,633	4,113,244
Consulting and legal costs - trade challenge	-	621,170
Depreciation on automobiles, building, computers, equipment and furniture	1,852,188	1,985,826
District meetings	21,204	43,351
Human resources - salaries	21,000,991	21,063,990
Human resources - unemployment insurance, pension, group insurance, medical and other employee benefits	5,139,259	4,734,852
Human resources - recruitment	71,026	156,495
Human resources - training and development	320,134	271,837
Legal fees and court costs	21,800	114,488
Management consulting	534,912	285,173
Manitoba Health and Education Tax	484,452	411,767
Office and miscellaneous	927,563	1,199,285
Postage	1,042,426	928,020
Printing, stationery and supplies	821,949	880,154
Publications and subscriptions	274,182	283,641
Rental and lighting of offices, including maintenance of The Canadian Wheat Board building	2,075,693	1,936,027
Repair and rental of office equipment	237,602	210,239
Telecommunications	668,895	748,195
Travelling and transfer of staff	1,303,016	1,531,209
	$42,473,178	$44,022,447

Allocation to Operations:	1996	1995
Marketing of Producers' Grain		
1995-96 Pool Accounts		
- Wheat	$15,037,940	
- Durum	4,163,157	
- Barley	1,328,331	
- Designated Barley	2,671,272	
1994-95 Pool Accounts		
- Wheat	12,315,958	$14,601,085
- Durum	3,422,165	4,057,120
- Barley	891,399	1,056,791
- Designated Barley	1,926,933	2,254,131
1993-94 Pool Accounts		
- Wheat		14,773,722
- Durum		3,053,691
- Barley		1,991,179
- Designated Barley		1,492,842
Cost allocated to pool accounts based on relative tonnage	41,757,155	43,280,561
Distributing Final Payments to Producers		
1989-90 to 1994-95 Pool Accounts (1988-89 to 1993-94 Pool Accounts for the prior year)		
- Wheat	441,361	450,931
- Durum	124,417	87,754
- Barley	81,228	149,250
- Designated Barley	69,017	53,951
Cost allocated to payment accounts based on activity	716,023	741,886
	$42,473,178	$44,022,447

Exhibit IX

STATEMENT OF SPECIAL ACCOUNT TRANSACTIONS
for the year ended July 31

	1996	1995
Balance of Special Account at beginning of year	$2,484,872	$3,470,850
Add transfer to Special Account from payment accounts authorized by Order-in-Council P.C. 1996-1356 and 1996-1357	1,360,539	-
	3,845,411	3,470,850
Deduct expenditures authorized by Order-in-Council noted below	(609,799)	(985,898)
Deduct payments to producers against old payment accounts	(67)	(80)
Balance of Special Account at end of year	$3,235,545	$2,484,872

Details of Expenditures:

Authorized by Order-in-Council	Description of Purpose	Unexpended as at July 31, 1995	Authorized Crop Year 1995-96	Unexpended as at July 31, 1996	Expended Crop Year 1995-96
P.C. 1994-1305 P.C. 1995-2202	Market Development	$445,378	$ -	$335,783	$109,595
P.C. 1995-2203 P.C. 1996-1358	Canadian International Grains Institute - capital expenditures	169,228	115,000	115,000	169,228
P.C. 1990-1538	Scholarship Program	48,559	301,441	44,024	305,976
P.C. 1991-2548	Founding Chairs Program	25,000	-	-	25,000
		$688,165	$416,441	$494,807	$609,799

As at July 31, 1996 there were unexpended authorizations totalling $494,807 leaving an unallocated balance of $2,740,738.

NOTES TO FINANCIAL STATEMENTS
The following are an integral part of the financial statements.

(1) ACT OF INCORPORATION AND MANDATE

The Canadian Wheat Board (CWB) was established by the Canadian Wheat Board Act, a statute of the Parliament of Canada. The CWB was created as an agent of Her Majesty in right of Canada for the purpose of marketing in an orderly manner, in inter provincial and export trade, grain grown in Western Canada. The CWB is accountable for its affairs to Parliament through the Minister responsible for the Canadian Wheat Board.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Results of operations

The annual accounts at July 31 include the final operating results for all pool accounts for the crop year ended July 31, where marketing operations have been completed before the issuance of the annual report for that year. In determining the financial results for such pools, the accounts of the CWB at July 31 include:

(i) Stocks of Grain on hand at July 31 at the values which were ultimately received as sale proceeds.

(ii) Provision for all expenses incurred or to be incurred in the process of marketing these stocks of grain including a charge for the portion of administrative and general expenses incurred subsequent to July 31 but relating to this marketing activity. Expenses related to marketing activities carried out subsequent to July 31 are included in accrued expenses and accounts payable. The expenses included are carrying charges, storage, interest, rail freight and other transportation charges, and administrative costs, together with all other sundry expenses incurred during the period.

(iii) Balances not yet distributed to producers at July 31 where marketing operations have been completed for the 1995-96 pool accounts are included in Liability to Producers.

(b) Allowances for losses on accounts receivable from credit sales

The Government of Canada guarantees the principal and interest of both the accounts receivable resulting from sales made under the Credit Grain Sales Program and the CWB's borrowings incurred to finance these accounts receivable. Because of these guarantees, the CWB is not at risk should any of the unpaid amounts prove to be uncollectible. For credit sales made outside of the Credit Grain Sales Program, the CWB has entered into arrangements with a Canadian financial institution to guarantee that the CWB has no credit risk. Therefore, no provision is made by the CWB with respect to the possibility of debtors defaulting on their obligations.

(c) Fixed assets and depreciation

Fixed assets are recorded at cost and depreciated on a straight line method over their expected useful life as follows:

Computer equipment	1 to 5 years (to 1/20 residual value)
Automobiles	2 years (to 1/3 residual value)
Building and office alterations	3 years
Office furniture and equipment	10 years
Hopper cars	30 years
Building	40 years

(d) Translation of foreign currencies

Sales contracts denominated in foreign currencies are hedged by forward exchange contracts and are translated into Canadian dollars at the rates provided therein. Other income and expenses are translated at the daily exchange rates in effect during the year.

Assets and liabilities denominated in United States dollars are translated at the exchange rate in effect at the balance sheet date. The CWB hedges its United States dollar assets and liabilities on a total portfolio basis. It is the CWB's policy to manage these assets and liabilities in order to minimize net exposure to foreign currency fluctuations. Exchange adjustments arising from conversion of amounts due from foreign customers and borrowings are included in interest earnings.

Medium term notes issued by the CWB in currencies other than the Canadian or United States dollar are hedged by currency swap agreements and are translated into Canadian or United States dollars at the rates provided therein.

(e) Hedging of anticipated future transactions

The CWB has entered into wheat future and option contracts to price a portion of anticipated sales. The CWB has also entered into foreign exchange forward and option contracts in order to manage the foreign exchange risk of a portion of anticipated sales. The gains and losses on these contracts form part of the net sales price and are recognized in income as an adjustment to sales revenue in the same period as the sales being hedged.

(f) Interest and bank charges

Interest expense and bank charges incurred by the CWB in financing its activities and interest revenue earned are calculated on a full accrual basis. Interest expense and revenue are netted which is consistent with the requirement under the Canadian Wheat Board Act that such amounts be treated as charges or recoveries of operating costs. Net interest earnings includes interest earnings and expenses related to accounts receivable, bank charges, transaction and program fees on borrowing facilities, and interest earned on each pool account during the pool period and until final distribution to producers.

(g) Administrative and general expenses

Administrative and general expenses, except for that portion of such expenses attributable to distributing final payments to producers, are allocated to the various pool accounts to which the services relate on the basis of the relative tonnage. Expenses attributable to final payments are allocated on the basis of the number of producers receiving payments from the various pool accounts.

(h) Post-employment benefits

Benefits provided to employees upon retirement or termination are recognized in the accounts as they are earned by the employees. The unaccrued balance as at July 31, 1993 was $7,980,330, which is being amortized on a straight line basis over ten years commencing with the 1993-94 crop year. The unaccrued balance at July 31, 1996 is $5,586,231 (1995--$6,384,264).

(3) ACCOUNTS RECEIVABLE FROM CREDIT SALES

The status of accounts receivable from credit sales is as follows:

	1996	1995
Due from foreign customers:		
Current	$ 410,285,821	$ 532,907,577
Overdue	542,894,695	514,653,464
Subject to a Paris Club rescheduling	137,842,737	193,865,329
Rescheduled	5,430,839,079	5,429,260,525
	6,521,862,332	6,670,686,895
Due from Government of Canada	131,415,467	60,869,060
	$6,653,277,799	$6,731,555,955

Amounts that are current include balances receivable of $80,376,397 (1995--$16,803,428) arising from credit sales made outside of the Government of Canada guaranteed Credit Grain Sales Program.

The accounts receivable from credit sales mature as follows:

	1996	1995
Within 12 months	$ 865,235,034	$ 579,049,858
Due in		
1997-98	237,822,995	432,509,341
1998-99	338,310,972	236,086,095
1999-00	342,260,933	335,784,925
2000-01	296,221,345	339,862,408
2001 and after	4,573,426,520	4,808,263,328
	$6,653,277,799	$6,731,555,955

Amounts due from foreign customers

These accounts receivable arise from sales of grain to Algeria, Brazil, Egypt, Ethiopia, Haiti, Iran, Iraq, Jamaica, Pakistan, Peru, Poland, Russia and Zambia. The terms call for payment in full within 36 months or less from time of shipment, except for Algeria, Brazil, Egypt, Ethiopia, Haiti, Jamaica, Peru, Poland, Russia and Zambia where the CWB, together with the Government of Canada, have agreed to reschedule certain receivables beyond their original maturity dates. All the reschedulings are arranged by the Paris Club, a forum through which the governments of debtor and creditor countries establish mutually agreed terms for the rescheduling and/or reduction of debts owed to the creditor governments and their agencies. Terms of such reschedulings vary calling for payment of interest and the rescheduled debt for periods ranging from 5 to 25 years.

Of the $6,521,862,332 (1995--$6,670,686,895) principal and accrued interest due from foreign customers, $4,597,347,569 (1995--$4,609,470,972) represents the Canadian equivalent of $3,343,768,688 (1995--$3,380,616,774) repayable in United States funds.

Due from the Government of Canada

In addition to debt relief by means of extending the payment terms, the Government of Canada has in certain cases agreed to provide various levels of debt reduction, through the Paris Club, to customer countries who have rescheduled amounts owing to the CWB. Under the debt reduction arrangements, payment of amounts owing to the CWB is divided on an agreed basis between the debtor country and the Government of Canada. The amount of $131,415,467 reflects the amount due from the Government of Canada as at July 31, 1996 under these debt reduction agreements.

Of the $131,415,467 (1995--$60,869,060) principal and accrued interest due from the Government of Canada, $39,619,072 (1995--$29,555,962) represents the Canadian equivalent of $28,815,966 (1995--$21,676,540) repayable in United States funds.

(4) STOCKS OF GRAIN

Stocks of Grain at July 31 are reported at the value ultimately received as sales proceeds as follows:

	1996	1995
Wheat	$ 840,641,828	$ 678,661,192
Durum	452,585,664	379,442,414
Barley	70,071,525	6,423,461
Designated Barley	69,311,513	32,457,898
	$1,432,610,530	$1,096,984,965

(5) DEFERRED AND PREPAID EXPENSES

Deferred and prepaid expenses of $51,440,276 (1995--$28,398,643) includes net results of commodity hedging activities applicable to subsequent pool accounts of $21,258,841, prepaid costs of moving inventory to eastern export positions of $20,983,031, purchase options on leased hopper cars of $5,137,335, deposits on commodity margin accounts of $1,871,049, and other deferred and prepaid expenses of $2,190,020.

(6) FIXED ASSETS

			1996	1995
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Building	$ 4,572,956	$ 3,668,063	$ 904,893	$ 1,005,280
Building & office alterations	1,107,314	667,093	440,221	141,166
Office furniture & equipment	4,378,011	2,487,674	1,890,337	1,957,935
Computer equipment	7,393,705	5,917,502	1,476,203	1,501,456
Automobiles	690,401	296,527	393,874	441,849
Hopper cars	86,797,564	47,740,165	39,057,399	42,256,920
	$104,939,951	$60,777,024	$44,162,927	$47,304,606

Two thousand hopper cars were purchased by the CWB in 1979-80 having an original cost of $90,555,623. Of these 2,000 cars, 83 cars have been wrecked and dismantled leaving 1,917 still in the fleet. The CWB is reimbursed for destroyed cars under an operating agreement with the Canadian National Railway.

(7) BORROWINGS

Details of these borrowings are as follows:

	1996	1995
Short term debt instruments and loans	$5,923,783,101	$5,920,311,779
Medium term debt instruments	535,514,848	571,979,620
	$6,459,297,949	$6,492,291,399

These borrowings fund the following:

	1996	1995
Funds on deposit from ordinary operations	($193,979,850)	($234,562,561)
Borrowings to finance credit sales	6,653,277,799	6,726,853,960
	$6,459,297,949	$6,492,291,399

Of the total short term borrowings $4,069,850,631 (1995--$4,052,144,116) represents the Canadian equivalent of $2,960,106,648 (1995--$2,971,869,539) repayable in United States funds. Of the medium term borrowings, $535,514,848 (1995--$571,979,620) represents the Canadian equivalent of $389,493,671 (1995--$419,493,671) repayable in United States funds.

The CWB's borrowings are undertaken with the approval of the Minister of Finance. Such borrowings constitute direct obligations of the CWB and as such constitute borrowings undertaken on behalf of Her Majesty in Right of Canada.

(8) ACCRUED EXPENSES AND ACCOUNTS PAYABLE

	1996	1995
Deferred sales revenue	$ 33,577,806	$10,654,576
Accounts payable	35,834,294	46,216,861
Expenses incurred subsequent to July 31 for marketing activities on behalf of the current year pool accounts	38,544,905	32,755,166
	$107,957,005	$89,626,603

(9) LIABILITY TO AGENTS OF THE CWB

	1996	1995
For grain purchased from producers	$ 957,709,932	$494,333,230
For deferred cash tickets	202,006,228	157,373,331
	$1,159,716,160	$651,706,561

Grain purchased from producers
Grain companies, acting in the capacity of agents of the CWB, accept deliveries from producers at country elevators and pay the producers on behalf of the CWB based on the CWB's initial price in effect. Settlement is not made by the CWB for these purchases until delivery to the CWB is completed by its agents at terminal or mill position. Liability to agents for grain purchased from producers represents the amount payable by the CWB to its agents for 3 951 298 (1995--2 738 135) tonnes of grain on hand at country elevator points and in transit at July 31 for which delivery to and settlement by the CWB is to be completed subsequent to the year end date.

Deferred cash tickets
Grain companies, acting in the capacity of agents of the CWB, deposit with the CWB in trust an amount equal to the deferred cash tickets issued for CWB grain. These funds are returned to the grain companies to cover producer-deferred cash tickets maturing predominantly during the first few days of the following calendar year.

(10) LIABILITY TO PRODUCERS

	1996	1995
Outstanding producer cheques at July 31		
Wheat	$153,398,037	$152,012,574
Durum	64,589,683	110,818,965
Oats	3,021	3,021
Barley	8,899,593	176,643
Designated Barley	19,067,706	14,001,596
	245,958,040	277,012,799
Undistributed earnings to producers		
Wheat	157,448,989	276,273,114
Durum	97,308,668	210,835,408
Barley	10,821,578	2,007,232
Designated Barley	33,696,550	35,049,068
	299,275,785	524,164,822
	$545,233,825	$801,177,621

(11) PROVISION FOR FINAL PAYMENT EXPENSES
The amount of $5,805,860 (1995--$6,053,405) represents the balance of the CWB's reserve for final payment expenses of pool accounts that have been closed. Six years after particular accounts have been closed, the remaining reserves for these pools may be transferred to the special account by Order-in-Council.

(12) SPECIAL ACCOUNT--NET BALANCE OF UNDISTRIBUTED PAYMENT ACCOUNTS

In accordance with the provision of Section 39 of the Canadian Wheat Board Act, the Governor in Council may authorize the CWB to transfer to a Special Account the unclaimed balances remaining in payment accounts which have been payable to producers for a period of six years or more. In addition to providing for payment of proper claims from producers against these old payment accounts, the Section further provides that these funds shall be used for purposes as the Governor in Council, upon the recommendations of the CWB, may deem to be for the benefit of producers.

(13) LEASE COMMITMENTS

The CWB, as an agent of Her Majesty in Right of Canada, is the lessor of 2,000 covered hopper cars for the Government of Canada. All lease costs are recoverable from the government and are not a charge to the operations of the CWB. Total payments associated with leases in the year ended July 31, 1996, amounting to $20,248,521 (1995--$19,985,536) have been recovered by the CWB. Lease terms are for 20 and 25 years.

(14) OFF BALANCE SHEET FINANCIAL INSTRUMENTS

The CWB enters into hedging transactions for the sole purpose of matching its assets and liabilities and hedging market risk exposure. These transactions are designed to reduce the CWB's exposure to mismatches in revenue and expenses resulting from fluctuations in interest rates and foreign exchange. These transactions include interest rate swap contracts, cross-currency interest rate swap contracts and currency swap contracts.

The CWB also transacts foreign exchange contracts and foreign exchange options with financial institutions with the objective of hedging currency exposure arising primarily from grain sales. By hedging the CWB's currency exposure, risk to adverse currency movements is eliminated.

The CWB manages its exposure to the risk of non-performance by the counterparty by contracting only with financial institutions having a very high credit rating qualified to the CWB's standards, which are fully in line with those issued by the Department of Finance to Crown corporations.

As at July 31, the total notional amount of these off balance sheet financial instruments, all either maturing or rate re-setting within one year, is as follows:

	1996	1995
	Notional amounts US $	Notional amounts US $
Interest rate contracts		
Single-currency interest rate swaps	$ 506,000,000	$ 349,500,000
Cross-currency interest rate swaps	89,493,671	89,493,671
Currency swaps	683,505,923	-
	1,278,999,594	438,993,671
Foreign exchange contracts		
Foreign exchange forward contracts	644,429,910	752,855,783
Foreign exchange option contracts	20,000,000	-
	664,429,910	752,855,783
	$1,943,429,504	$1,191,849,454

There were no Canadian dollar denominated interest rate swaps or currency swaps outstanding at July 31, 1996.

(15) SALES

Net sales are calculated as follows:

(a) **Wheat pool account**

	1996 Tonnes	1996 Amount	1995 Tonnes	1995 Amount
Completed sales to July 31	12 998 103	$3,375,684,928	13 735 452	$2,602,746,107
Sales completed subsequent to July 31	3 157 890	840,641,828	3 082 926	678,661,192
Weight losses in transit and in drying	716		2 177	
	16 156 709	4,216,326,756	16 820 555	3,281,407,299
Deduct:				
Grain acquired from other than producers	78 901	17,486,232	98 009	13,242,094
Sales used to value prior pool account	1 725 355	386,737,816	2 081 888	348,393,536
Net sales of Wheat	14 352 453	$3,812,102,708	14 640 658	$2,919,771,669

The disposition of wheat stocks in tonnes is segregated as follows:

	1996	1995
Domestic sales	1 674 677	1 683 407
Export sales	11 323 426	13 409 616
Sales to subsequent pool account	3 157 890	1 725 355
Weight losses in transit and in drying	716	2 177
	16 156 709	16 820 555

(b) **Durum pool account**

	1996 Tonnes	1996 Amount	1995 Tonnes	1995 Amount
Completed sales to July 31	2 936 915	$ 905,424,146	3 628 943	$ 899,335,973
Sales completed subsequent to July 31	1 836 819	452,585,664	1 340 190	379,442,414
Weight losses in transit and in drying	1 736		1 616	
	4 775 470	1,358,009,810	4 970 749	1,278,778,387
Deduct:				
Grain acquired from other than producers	27 117	6,294,013	19 274	3,820,410
Sales used to value prior pool account	774 969	221,351,427	883 359	181,662,465
Net sales of Durum	3 973 384	$1,130,364,370	4 068 116	$1,093,295,512

The disposition of durum stocks in tonnes is segregated as follows:

	1996	1995
Domestic sales	222 750	182 203
Export sales	3 571 953	4 011 961
Sales to subsequent pool account	979 031	774 969
Weight losses in transit and in drying	1 736	1 616
	4 775 470	4 970 749

(c) Barley pool account

	1996		1995	
	Tonnes	Amount	Tonnes	Amount
Completed sales to July 31	931 288	$202,268,278	1 275 723	$145,220,286
Sales completed subsequent to July 31	379 501	70,071,525	59 774	6,423,461
Weight losses in transit and in drying	51		1 508	
	1 310 840	272,339,803	1 337 005	151,643,747
Deduct:				
Grain acquired from other than producers	15 250	2,615,715	1 050	110,101
Sales used to value prior pool account	27 809	3,104,099	276 300	31,220,962
Net sales of Barley	1 267 781	$266,619,989	1 059 655	$120,312,684

The disposition of barley stocks in tonnes is segregated as follows:

	1996	1995
Domestic sales	16 825	26 599
Export sales	914 463	1 281 089
Sales to subsequent pool account	379 501	27 809
Weight losses in transit and in drying	51	1 508
	1 310 840	1 337 005

(d) Designated Barley pool account

	1996		1995	
	Tonnes	Amount	Tonnes	Amount
Completed sales to July 31	2 264 045	$550,992,796	2 104 155	$359,685,342
Sales completed subsequent to July 31	286 555	69,311,513	156 086	32,457,898
Weight losses in transit and in drying	-	-	-	-
	2 550 600	620,304,309	2 260 241	392,143,240
Deduct:				
Grain acquired from other than producers	1 095	275,012	-	-
Net sales of Designated Barley	2 549 505	$620,029,297	2,260,241	$392,143,240

The disposition of designated barley stocks in tonnes is segregated as follows:

	1996	1995
Domestic sales	337 587	360 700
Export sales	2 194 738	1 899 541
Sales to subsequent pool account	18 275	-
	2 550 600	2 260 241

(16) RESTATEMENT OF PRIOR YEAR'S BALANCES

Certain of the prior year's balances have been restated to conform with the current year's presentation.

Table Index

Table Index

Table I

Acreage of Principal Grains in the Western Canadian Provinces
1987 to 1996 Thousand Acres

Year	Wheat	Durum	All Wheat	Oats	Barley	Rye	Flaxseed[1]	Canola	Total
1987	27 230	5 400	32 630	2 520	11 240	725	1 460	6 560	55 135
1988	25 525	5 600	31 125	2 720	9 260	581	1 240	9 010	53 936
1989	26 325	6 450	32 775	3 480	10 535	1 189	1 480	7 125	56 584
1990	29 355	5 220	34 575	2 475	10 665	984	1 790	6 330	56 819
1991	29 512	4 921	34 433	1 685	9 450	389	1 233	7 696	54 886
1992	29 723	3 605	33 328	2 590	8 410	328	625	7 490	52 771
1993	26 419	3 560	29 979	2 900	9 370	372	1 250	10 090	53 961
1994	20 250	5 650	25 900	3 330	9 305	413	1 780	14 165	54 893
1995	21 410	5 250	26 660	2 650	10 015	348	2 125	12 940	54 738
1996[2]	25 172	5 180	30 352	3 895	11 440	377	1 420	8 547	56 031
10-Year Average	26 092	5 084	31 176	2 825	9 969	571	1 440	8 995	54 975

1 Flaxseed acreage for British Columbia not available.
2 Preliminary: Subject to revision.
Source: Statistics Canada

Table II

Yield of Principal Grains in the Western Canadian Provinces
1987 to 1996 Kilograms per Acre

Year	Wheat	Durum	All Wheat	Oats	Barley	Rye	Flaxseed	Canola	Total
1987	773	743	768	973	1 119	515	480	563	814
1988	497	341	469	901	993	431	264	465	575
1989	737	642	718	774	1 001	645	336	447	728
1990	896	804	882	888	1 147	565	497	509	873
1991	901	932	906	859	1 108	743	515	543	878
1992	850	870	852	890	1 145	768	539	513	848
1993	872	943	881	1 086	1 269	782	502	544	887
1994	834	820	831	996	1 157	852	544	507	804
1995	881	885	882	967	1 209	753	520	492	839
1996[1]	984	908	971	1055	1 311	741	594	584	976
10-Year Average	822	789	816	939	1 146	679	479	517	822

1 Preliminary: Subject to revision.
Source: Statistics Canada

Production of Principal Grains in the Western Canadian Provinces
1987 to 1996 Thousand Tonnes

Year	Wheat	Durum	All Wheat	Oats	Barley	Rye	Flaxseed[1]	Canola	Total
1987	21 045	4 014	25 059	2 452	12 580	373	701	3 690	44 856
1988	12 674	1 908	14 582	2 451	9 199	250	328	4 191	31 001
1989	19 390	4 140	23 530	2 692	10 542	767	498	3 184	41 213
1990	26 304	4 197	30 501	2 197	12 230	556	889	3 223	49 596
1991	26 603	4 586	31 189	1 447	10 475	289	635	4 179	48 214
1992	25 255	3 138	28 393	2 304	9 633	252	337	3 843	44 762
1993	23 042	3 358	26 400	3 148	11 886	291	627	5 486	47 838
1994	16 883	4 635	21 517	3 316	10 768	352	968	7 187	44 108
1995	18 865	4 648	23 514	2 562	12 112	262	1 105	6 368	45 923
1996[2]	24 762	4 703	29 465	4 111	14 996	279	843	4 991	54 684
10-Year Average	21 482	3 933	25 415	2 668	11 442	367	693	4 634	45 220

1 Flaxseed production for British Columbia not available.

2 Preliminary: Subject to revision.

Source: Statistics Canada

Canadian Production of Principal Grains
1987 to 1996 Thousand Tonnes

Year	Wheat	Durum	All Wheat	Oats	Barley	Rye	Flaxseed[1]	Canola	Total
1987	21 931	4 014	25 945	2 957	13 916	409	701	3 720	47 648
1988	14 005	1 908	15 913	2 942	10 326	277	328	4 218	34 003
1989	20 657	4 140	24 796	3 265	11 784	806	498	3 210	44 359
1990	27 902	4 197	32 099	2 692	13 441	599	889	3 266	52 987
1991	27 360	4 586	31 946	1 794	11 617	339	635	4 224	50 555
1992	26 741	3 138	29 879	2 829	11 032	278	337	3 872	48 226
1993	23 873	3 358	27 232	3 549	12 972	319	627	5 525	50 223
1994	18 298	4 635	22 933	3 638	11 690	399	968	7 233	46 860
1995	20 369	4 648	25 017	2 858	13 035	310	1 105	6 436	48 761
1996[2]	25 792	4 703	30 495	4 374	15 912	322	843	5 037	56 982
10-Year Average	22 693	3 933	26 625	3 090	12 573	406	693	4 674	48 060

1 Flaxseed production for British Columbia not available.

2 Preliminary: Subject to revision.

Source: Statistics Canada

Table IV

Producer Marketings - Western Canadian Grains
1986-87 to 1995-96 Thousand Tonnes

Year	Wheat	Durum	All Wheat	Oats	Barley	Rye	Flaxseed	Canola	Total
1986-87	19 518	2 934	22 452	500	7 548	308	787	3 364	34 959
1987-88	19 577	3 241	22 818	616	5 998	291	625	3 328	33 676
1988-89	12 099	1 791	13 890	1 104	5 751	182	333	3 493	24 753
1989-90	17 100	3 642	20 742	849	5 619	431	409	3 062	31 112
1990-91	22 680	3 430	26 110	617	6 507	378	561	2 971	37 144
1991-92	22 731	3 598	26 329	554	5 124	276	515	3 741	36 538
1992-93	21 525	2 687	24 211	1 059	4 985	224	383	3 753	34 615
1993-94	19 264	3 492	22 755	1 513	6 124	202	604	5 145	36 343
1994-95	16 388	4 302	20 690	1 827	5 897	258	839	6 376	35 886
1995-96[1]	15 380	3 934	19 314	1 629	6 237	241	948	5 487	33 855
10-Year Average	18 626	3 305	21 931	1 027	5 979	279	600	4 072	33 888

1 Preliminary: Subject to revision.
Source: Statistics Canada

Table V

Primary Elevator Shipments
1986-87 to 1995-96 Thousand Tonnes

Year	Wheat	Durum	All Wheat	Oats	Barley	Rye	Flaxseed	Canola	Total
1986-87	19 849	2 550	22 399	445	7 508	197	625	2 148	33 322
1987-88	20 578	3 593	24 171	523	5 674	239	554	2 273	33 434
1988-89	12 205	1 851	14 056	1 043	5 221	181	340	2 524	23 365
1989-90	16 519	3 548	20 067	626	5 773	362	372	2 482	29 682
1990-91	20 740	3 254	23 994	370	5 985	318	372	2 337	33 376
1991-92	22 235	3 577	25 812	376	5 019	223	387	2 518	34 335
1992-93	20 116	2 646	22 762	742	4 305	187	358	2 540	30 895
1993-94	18 541	3 169	21 710	1 145	5 891	139	522	4 082	33 489
1994-95	18 119	4 444	22 563	1 480	6 010	226	724	4 875	35 878
1995-96[1]	14 216	3 635	17 851	1 134	5 954	209	668	3 997	29 814
10-Year Average	18 312	3 227	21 538	788	5 734	228	492	2 978	31 759

1 Preliminary: Subject to revision.
Sources: Canadian Grain Commission for 1995-96
All previous years - Statistics Canada

Table VI

Stocks on Farms in Western Canada as at July 31
1987 to 1996 Thousand Tonnes

Grain	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996[1]	10-Year Average
Wheat	4 555	2 660	655	530	1 700	2 300	3 400	3 355	555	685	2 040
Durum	425	500	145	160	520	1 130	1 075	445	105	240	475
Oats	820	730	400	690	730	420	500	730	565	290	588
Barley	1 330	2 460	990	930	1 325	1 385	1 605	1 905	985	825	1 374
Rye	220	165	80	205	210	100	25	45	45	15	111
Flaxseed	145	110	30	15	245	260	130	45	35	42	106
Canola	170	145	420	205	140	330	110	45	190	355	211
Total	7 665	6 770	2 720	2 735	4 870	5 925	6 845	6 570	2 480	2 452	4 903

1 Preliminary: Subject to revision.
Source: Statistics Canada

Table VII

Stocks in Commercial Positions by Grain as at July 31
1987 To 1996 Thousand Tonnes

Grain	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996[1]	10-Year Average
Wheat	6 523	3 644	3 544	4 540	7 011	5 536	6 731	6 055	3 652	3 918	5 115
Durum	1 195	1 126	701	1 202	1 047	1 076	982	1 258	1 358	1 783	1173
Oats	144	207	271	174	150	89	134	153	154	105	158
Barley	1 602	1 200	1 725	1 009	1 191	1 104	1 471	1 376	765	913	1 236
Rye	165	159	141	173	114	93	56	67	40	36	104
Flaxseed	302	287	132	39	113	175	120	109	66	144	149
Canola	449	491	694	544	259	404	582	285	399	546	465
Total	10 380	7 114	7 208	7 681	9 885	8 477	10 076	9 303	6 434	7 445	8 400

1 Preliminary: Subject to revision.
Source: Statistics Canada

Table VIII

Canadian Wheat (Including Durum) Supplies and Disposition
1986-87 to 1996-97 Thousand Tonnes

Crop Year	Inward carryover August 1st		Production	Total Supplies	Domestic Disappearance[1]		Exports Wheat and Flour	Total Outward Carryover July 31st
	Farm	Commercial			Farm	Commercial[2]		
1986-87	770	7 799	31 378	39 947	3 963	2 489	20 781	12 714
1987-88	4 997	7 717	25 945	38 659	4 283	2 924	23 514	7 938
1988-89	3 168	4 770	15 913	23 851	3 264	3 121	12 409	5 057
1989-90	812	4 245	24 796	29 853	3 099	2 895	17 418	6 442
1990-91	700	5 742	32 098	38 540	3 085	3 040	22 130	10 285
1991-92	2 227	8 058	31 946	42 231	3 862	2 924	25 379	10 066
1992-93	3 454	6 612	29 879	39 945	3 327	4 096	20 328	12 193
1993-94	4 480	7 713	27 232	39 425	4 458	4 546	19 304	11 117
1994-95	3 805	7 312	22 933	34 050	4 162	3 438	20 771	5 679
1995-96	670	5 009	25 017	30 697	4 127	3 739	16 198	6 633
10-Year Average	2 508	6 498	26 714	35 720	3 763	3 321	19 823	8 812
1996-97[3]	932	5 701	30 495	37 128				

1 A residual item. Farm disappearance is computed by adding inward farm carryover and production and deducting marketings and outward farm carryover. Commercial disappearance is computed by adding inward commercial carryover and marketings and deducting outward commercial carryover and exports.

2 Human food consumption in 1994-95 amounted to 2 448 000 tonnes. In 1995-96, the amount was 2 430 000 tonnes.

3 Preliminary: Subject to revision.

Source: Statistics Canada

Table IX

Canadian Durum Supplies and Disposition
1986-87 to 1996-97 Thousand Tonnes

Crop Year	Inward carryover August 1st		Production	Total Supplies	Domestic Disappearance[1]		Exports Durum and Flour	Total Outward Carryover July 31st
	Farm	Commercial			Farm	Commercial		
1986-87	60	494	3 897	4 451	598	243	1 990	1 620
1987-88	425	1 195	4 014	5 634	698	521	2 789	1 626
1988-89	500	1 126	1 908	3 534	472	181	2 034	846
1989-90	145	701	4 140	4 986	482	294	2 847	1 362
1990-91	160	1 202	4 197	5 559	406	354	3 232	1 567
1991-92	520	1 047	4 586	6 152	378	478	3 091	2 206
1992-93	1 130	1 076	3 138	5 344	506	501	2 279	2 057
1993-94	1 075	982	3 358	5 416	497	314	2 903	1 703
1994-95	445	1 258	4 635	6 337	673	174	4 028	1 463
1995-96	105	1 358	4 648	6 111	580	287	3 222	2 023
10-Year Average	457	1 044	3 852	5 352	529	335	2 842	1 647
1996-97[2]	240	1 783	4 703	6 726				

1 A residual item. Farm disappearance is computed by adding inward farm carryover and production and deducting marketings and outward farm carryover. Commercial disappearance is computed by adding inward commercial carryover and marketings and deducting outward commercial carryover and exports.

2 Preliminary: Subject to revision.

Source: Statistics Canada

Table X

Canadian Barley Supplies and Disposition
1986-87 to 1996-97 Thousand Tonnes

Crop Year	Inward carryover August 1st Farm	Inward carryover August 1st Commercial	Production	Total Supplies	Domestic Disappearance[1] Farm	Domestic Disappearance[1] Commercial	Exports Barley and Barley Products	Total Outward Carryover July 31st
1986-87	1 100	2 209	14 568	17 877	6 660	1 341	6 719	3 157
1987-88	1 555	1 602	13 916	17 073	6 870	1 815	4 594	3 794
1988-89	2 594	1 200	10 326	14 120	6 096	2 394	2 840	2 790
1989-90	1 065	1 725	11 784	14 574	6 175	1 846	4 497	2 056
1990-91	1 047	1 009	13 441	15 497	6 520	1 508	4 823	2 646
1991-92	1 455	1 191	11 617	14 263	6 435	1 530	3 685	2 614
1992-93	1 510	1 104	11 032	13 646	5 718	1 645	3 013	3 271
1993-94	1 800	1 471	12 972	16 243	6 635	2 014	4 218	3 376
1994-95	2 000	1 376	11 690	15 066	6 734	3 006	3 506	1 820
1995-96	1 055	765	13 035	14 855	6 954	3 272	2 823	1 807
10-Year Average	1 518	1 365	12 438	15 321	6 480	2 037	4 072	2 733
1996-97[2]	894	913	15 912	17 719				

1 A residual item. Farm disappearance is computed by adding inward farm carryover and production and deducting marketings and outward farm carryover. Commercial disappearance is computed by adding inward commercial carryover and marketings and deducting outward commercial carryover and exports.

2 Preliminary: Subject to revision.

Source: Statistics Canada

Table XI

Exports of Canadian Grain and Grain Products
1986-87 to 1995-96 Thousand Tonnes

Crop Year	Wheat[1]	Flour[2]	Oats and Oat Products	Barley and Barley Products	Rye	Corn[3]	Flaxseed[4]	Canola[4]	Total
1986-87	20 353	430	257	6 719	201	143	692	2 876	31 671
1987-88	23 174	342	286	4 594	222	409	628	3 461	33 116
1988-89	12 128	291	728	2 840	113	30	458	3 216	19 804
1989-90	17 254	170	710	4 497	295	24	491	3 038	26 479
1990-91	21 912	219	381	4 823	342	124	504	3 171	31 476
1991-92	25 153	231	351	3 685	226	986	459	3 820	34 911
1992-93	20 156	174	776	3 013	215	184	437	3 005	27 960
1993-94	19 033	271	1 217	4 218	154	493	608	4 694	30 688
1994-95	20 449	322	1 472	3 506	187	359	883	5 403	32 581
1995-96[5]	16 000	198	1 264	2 823	171	565	856	4 496	26 372
10-Year Average	19 561	265	744	4 072	213	332	602	3 718	29 506

1 Includes durum. Wheat and durum exports include bagged seed wheat up to 1992/93 only.
2 Wheat equivalent.
3 Change of crop year starting 1993/94 (September to August).
4 Includes oil and meal.
5 Preliminary: Subject to revision.
Source: Statistics Canada

Table XII

Canadian Bulk Wheat (including Durum) Exports by Areas and Countries
1986-87 to 1995-96 Thousand Tonnes

Country[1]	1986-87	1987-88	1988-89	1989-90	1990-91	1991-92	1992-93	1993-94	1994-95	1995-96[2]	10-Year Average
Western Europe:											
EU-15:											
Belgium and Luxembourg	91	336	190	140	237	244	207	376	361	293	247
Finland	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	21	14	n/a
France	1	-	-	-	-	-	-	-	-	-	T
Germany, Federal Republic	21	6	11	-	-	-	-	-	-	-	4
Greece	-	-	-	-	8	-	-	-	-	-	1
Ireland	-	2	-	-	-	-	-	-	-	-	T
Italy	634	440	409	357	320	309	299	351	505	405	403
Netherlands	72	6	-	9	-	11	68	33	19	75	29
Portugal	269	118	120	106	32	-	-	-	-	-	65
Spain		-	-	15	-	-	-	-	49	23	9
United Kingdom	503	413	410	271	281	292	201	268	190	205	303
Total EU-15:	1 591	1 321	1 140	898	878	856	775	1 028	1 144	1 015	1 065
Other Western Europe:											
Finland	-	-	14	11	-	-	8	-	n/a	n/a	n/a
Iceland	-	-	3	7	7	5	5	3	3	1	3
Malta	36	-	-	60	-	-	-	-	-	-	10
Norway	89	128	70	83	41	52	78	51	49	12	65
Switzerland	-	16	42	26	9	4	-	1	7	37	14
Total other Western Europe:	125	144	129	187	57	61	92	55	60	50	96
Eastern Europe:											
Armenia	n/a	n/a	n/a	n/a	n/a	n/a	-	T	-	-	n/a
Azerbaijan	n/a	n/a	n/a	n/a	n/a	n/a	209	-	-	-	n/a
Bulgaria	153	40	-	-	-	-	-	-	-	-	19
Czech Rep. / Slovakia	11	6	3	4	-	-	-	-	-	-	2
Germany, Democratic Republic	199	104	60	64	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Poland	31	-	-	33	-	-	118	43	27	38	29
Russia	n/a	n/a	n/a	n/a	n/a	n/a	1 317	-	-	-	n/a
Former U.S.S.R.	5 391	4 500	2 657	3 497	7 228	4 969	n/a	n/a	n/a	n/a	n/a
Uzbekistan	n/a	n/a	n/a	n/a	n/a	n/a	301	-	97	-	n/a
Total Eastern Europe:	5 785	4 650	2 720	3 598	7 228	4 969	1 945	43	125	38	3 110
Total Europe:	7 501	6 115	3 989	4 683	8 163	5 886	2 812	1 126	1 328	1 104	4 271
Africa:											
Algeria	448	764	326	605	869	364	545	1 015	1 893	1 128	796
Angola	-	8	-	-	-	-	-	-	-	-	1
Benin	-	-	-	-	-	17	-	-	4	-	2
Botswana	-	-	-	-	-	-	-	-	10	-	1
Burkina-Faso	-	-	-	1	-	5	-	-	-	-	1
Cameroon	-	-	-	-	-	21	6		19	-	5
Canary Islands	14	-	-	-	-	-	-	-	-	-	1
Djibouti	-	-	10	-	-	-	-	-	-	-	1
East Africa	-	-	-	-	-	-	-	40	46	24	11
Egypt	208	100	-	-	26	60	43	40	42	-	52
Eritrea	n/a	n/a	n/a	n/a	n/a	n/a	n/a	7	7	5	n/a
Ethiopia	91	230	102	74	101	52	98	118	51	31	95
Gabon	-	-	-	3	-	2	2	-	-	-	1
Ghana	40	81	67	75	129	87	20	56	28	13	60
Ivory Coast	-	-	-	-	-	6	-	-	-	-	1
Kenya	2	-	-	13	6	22	-	8	-	-	5
Lesotho	16	-	-	-	-	-	-	-	-	-	2
Libya	136	96	78	170	-	140	146	274	228	163	143
Mali	10	-	9	4	8	10	6	7	15	-	7
Mauritania	-	7	-	3	5	4	3	-	-	8	3
Morocco	-	22	30	11	171	2	14	21	11	251	53
Mozambique	21	44	62	44	56	57	36	43	34	22	42
Niger	-	-	2	4	-	-	-	-	-	-	1
Nigeria	-	-	-	-	-	1	-	-	-	-	T
Rwanda	-	-	-	1	1	-	-	-	-	-	T
Senegal	21	16	7	16	11	17	8	4	-	3	10
Somalia	-	-	-	-	-	-	5	-	-	-	1
South Africa	-	33	-	177	554	-	271	257	163	46	150
Sudan	3	2		22	73	46	-	8	-	-	15
Tanzania	12	-	-	-	-	-	-	-	-	-	1
Togo	14	15	26	19	-	35	14	-	-	-	12
Tunisia	25	41	17	19	28	-	-	6	192	85	41
Uganda	6	-	-	5	-	-	-	5	-	-	2
West Africa	-	-	-	-	-	-	-	9	120	-	13
Zaire	-	-	-	-		15	-	-	-	-	2
Zambia	16	27	14	-	-	10	13	-	-	-	8
Zimbabwe	11	25	14	5	35	-	35	-	-	-	12
Total Africa:	1 094	1 511	764	1 271	2 073	973	1 265	1 921	2 861	1 778	1 551

Canadian Bulk Wheat (including Durum) Exports by Areas and Countries
1986-87 to 1995-96 Thousand Tonnes

Country[1]	1986-87	1987-88	1988-89	1989-90	1990-91	1991-92	1992-93	1993-94	1994-95	1995-96	10-Year Average
Asia:											
Afghanistan	-	-	-	-	-	-	-	19	-	10	3
Bangladesh	358	220	291	336	363	242	160	108	128	141	235
Cambodia	-	-	-	-	-	-	-	-	5	-	T
China, People's Republic of	4 065	7 586	2 812	4 581	2 923	7 184	3 469	1 904	5 173	4 787	4 448
Cyprus	20	21	-	8	-	8		-	-	-	6
Hong Kong	11	10	12	12	10	7	7	8	8	4	9
India	-	44	-	12	31	209	847	14	-	-	116
Indonesia	189	189	246	337	285	632	801	690	737	931	504
Iran	128	1 113	26	1 445	1 419	1 158	1 415	1 267	1 996	806	1 077
Iraq	691	884	784	783	-	-	-	5	-	-	315
Israel	95	18	-	-		-	99	99	53	9	37
Japan	1 349	1 481	1 354	1 465	1 393	1 478	1 469	1 475	1 458	1 517	1 444
Jordan	-	-	-	6	-	-	-	4	-	-	1
Korea, North (DPR)	20	28	-	21	367	296	293	-	-	-	103
Korea, South (ROK)	1 173	617	38	-	1 258	745	2 014	2 629	1 048	289	981
Kuwait	-	-	-	32	-	-	-	-	3	-	4
Lebanon	-	-	-	-	-	-	43	-	7	-	5
Malaysia	57	61	110	105	221	222	146	128	164	58	127
Nepal	-	-	3	-	-	-		-	-	-	T
Pakistan	51	54	78	73	76	216	457	-	362	5	137
Philippines	100	32	117	360	171	270	123	37	161	100	147
Singapore	21	5	-	-	6	13	7	14	18	11	9
Sri Lanka	54	73	8	6	-	-	-	-	-	-	14
Syria	-	11		-	6	-	-	-	-		2
Taiwan	55	119	81	109	135	108	54	-	43	100	80
Thailand	-	17	45	83	89	112	50	35	104	187	72
Turkey	-	-		52	26	26	-	111	-	88	30
United Arab Emirates	-	-	-	16	-	-		-	-	-	2
Vietnam	-	-	-	-	-	8	-	-	19	-	3
Yemen	-	1	3	-	79	-	-	-	90	62	23
Total Asia:	8 437	12 584	6 008	9 842	8 858	12 934	11 455	8 545	11 576	9 104	9 934
Oceania:											
Australia	-	-		-		-	10	-	-	-	1
Fiji	-	-	-	-	-	-	-	-	-	6	1
New Zealand	-	-	-	-	-	10	44	11	32	44	14
Total Oceania:	-	-	-	-	-	10	54	11	32	50	16
Western Hemisphere:											
Antigua		-	-	-	-	-	-	-	2		T
Argentina	-	-	-	-	13	-	-	-	26	-	4
Barbados	-	-	-	3	-	-	-	-	-	-	T
Bolivia	20	-	12	11	9	31	12	13	56	42	21
Brazil	780	449	14	220	383	1 824	1 136	1 935	930	1 120	879
Chile	-	-	-	-	34	257	236	371	334	374	161
Colombia	190	75	163	167	198	427	399	533	378	364	289
Costa Rica	-	-	-	-	4	3	-	-	9	-	2
Cuba	1 075	843	530	421	472	192	223	40	-	65	386
Dominican Republic	-	-	-	10	38	135	-	75	-	-	26
Ecuador	-	-	-	10	16	136	137	159	155	58	67
El Salvador	-	-	2	-	5	3	-	40	7	28	9
Grenada	-	-	2	-	-	-	-	-	8	-	1
Guatemala	-	-	-	-	-	35	-	35	55	52	18
Haiti Republic	-	-	-	-	29	32	-	-	-	-	6
Honduras	-	-	2	-	-	10	42	44	-		10
Jamaica	38	39	37	67	63	73	56	41	24		44
Mexico	258	353	-	-	62	511	551	908	572	401	362
Nicaragua	10	58	-	-		-	-	-	-	-	7
Panama	1	-	-		-	-	-	-	8	-	1
Peru	344	209	-	-	152	88	57	154	126	123	125
Puerto Rico	-	-	-	-	-	-	-	-	-	8	1
St. Christopher	-	-	2	-	-	-	-	-	-	-	T
St. Kitts-Nevis	-	-	-	-	-	-	-	-	6	-	1
St. Lucia	1	-	8		-	-	-	-	-	-	1
St. Vincent	-	-	7	-	-	-	-	-	9	-	2
Trinidad & Tobago	-	-	-	2	-		-	-	-		T
United States	406	369	255	359	660	1 003	1 399	2845	1 499	928	972
Uruguay	46	35	-	-	-	-	39	72	-	-	19
Venezuela	150	532	323	181	680	586	282	164	449	402	375
Total Western Hemisphere:	3 319	2 963	1 358	1 451	2 817	5 345	4 568	7 429	4 653	3 965	3 787
Total Bulk Wheat:	20 351	23 173	12 119	17 247	21 911	25 148	20 154	19 033	20 449	16 000	19 558
Bagged Seed Wheat:[3]	2	1	9	7	1	5	2	n/a	n/a	n/a	n/a
Grand Total:	20 353	23 174	12 128	17 254	21 912	25 153	20 156	n/a	n/a	n/a	n/a

n/a not applicable

T Less than 500 tonnes.

1 Changes in country status:
EU-12 from 1985-86; unified Germany from 1990-91; EU-15 from 1994-95, includes Austria, Finland and Sweden.
Former U.S.S.R. - 15 countries gained independence during 1991-92.
Eritrea gained independence from Ethiopia during 1992-93.
Political unification took place in Yemen during 1989-90.

2 Preliminary: Subject to revision.

3 Not available from 1993/94.

Sources: Canadian Grain Commission for 1995-96
All previous years - Statistics Canada

Table XIII

Canadian Bulk Durum Wheat Exports by Areas and Countries
1986-87 to 1995-96 Thousand Tonnes

Country[1]	1986-87	1987-88	1988-89	1989-90	1990-91	1991-92	1992-93	1993-94	1994-95	1995-96[2]	10-Year Average
Western Europe:											
EU-15:											
Belgium and Luxembourg	14	78	52	66	102	114	93	340	315	277	145
Finland	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	21	14	n/a
Germany, Federal Republic	12	3	10	-	-	-	-	-	-	-	3
Italy	480	232	214	155	107	106	108	184	339	269	219
Netherlands	29	6	-	-	-	7	26	33	19	69	19
Portugal	-	-	6	29	8	-	-	-	-	-	4
Spain	-	-	-	15	-	-	-	-	49	19	8
United Kingdom	5	9	11	9	10	4	-	7	7	-	6
Total EU-15:	540	328	293	274	227	231	227	565	750	648	408
Other Western Europe:											
Finland	-	-	7	11	-	-	-	-	n/a	n/a	n/a
Malta	36	-	-	-	-	-	-	-	-	-	4
Norway	-	13	6	7	17	9	15	6	13	12	10
Switzerland	-	-	17	24	9	4	-	-	5	32	9
Total other Western Europe:	36	13	30	42	26	13	15	6	18	44	24
Eastern Europe:											
Czech Rep. / Slovakia	11	6	3	4	-	-	-	-	-	-	2
Germany, Democratic Republic	47	53	60	61	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Poland	-	-	-	33	-	-	25	43	27	38	17
Russia	n/a	n/a	n/a	n/a	n/a	n/a	10	-	-	-	n/a
Former U.S.S.R.	498	992	714	1 095	1 185	1 294	n/a	n/a	n/a	n/a	n/a
Total Eastern Europe:	556	1 051	777	1 193	1 185	1 294	35	43	27	38	620
Total Europe:	1 132	1 392	1 100	1 509	1 438	1 538	277	613	796	730	1 053
Africa:											
Algeria	423	611	326	605	869	363	545	1 015	1 893	1 128	778
Eritrea	n/a	n/a	n/a	n/a	n/a	n/a	n/a	-	-	5	n/a
Ethiopia	-	-	-	4	-	25	11	8	24	31	10
Libya	136	96	78	170	-	97	94	222	201	97	119
Mauritania	-	7	-	-	5	-	3	-	-	-	2
Morocco	-	-	-	-	27	-	14	-	-	223	26
Mozambique	-	8	-	-	-	-	16	-	-	-	2
South Africa	-	-	-	-	-	-	-	-	12	13	2
Sudan	-	-	-	-	32	11	-	-	-	-	4
Tunisia	-	41	17	19	28	-	-	-	192	85	38
Total Africa:	559	763	421	798	961	496	683	1 245	2 321	1 582	983
Asia:											
China, People's Republic of	-	-	15	30	-	-	-	-	-	-	5
Cyprus	9	10	-	-	-	8	-	-	-	-	3
Hong Kong	-	-	-	-	-	-	-	-	-	1	T
India	-	-	-	-	-	102	449	-	-	-	55
Indonesia	-	-	-	-	-	14	3	5	12	32	7
Iran	-	-	-	5	7	-	-	-	-	-	1
Iraq	-	-	-	61	-	-	-	-	-	-	6
Japan	79	94	118	141	145	129	164	64	122	155	121
Korea, South (ROK)	20	53	-	-	-	-	-	-	-	-	7
Kuwait	-	-	-	6	-	-	-	-	3	-	1
Lebanon	-	-	-	-	-	-	20	-	-	-	2
Turkey	-	-	-	-	26	26	-	111	-	88	25
Total Asia:	108	157	133	243	178	279	636	180	137	275	233
Oceania:											
Australia	-	-	-	-	-	-	10	-	-	-	1
Western Hemisphere:											
Argentina	-	-	-	-	13	-	-	-	26	-	4
Brazil	-	-	-	-	-	5	-	3	4	11	2
Chile	-	-	-	-	34	128	81	140	98	100	58
Costa Rica	-	-	-	-	-	-	-	-	3	-	T
Cuba	58	64	47	17	30	20	-	-	-	9	24
Dominican Republic	-	-	-	-	-	2	-	-	-	-	T
Ecuador	-	-	-	-	-	-	-	-	-	6	1
Guatemala	-	-	-	-	-	7	-	-	11	12	3
Mexico	-	-	-	-	-	-	-	-	-	6	1
Peru	-	-	-	-	4	6	25	35	76	73	22
United States	62	202	186	218	370	421	404	554	293	182	289
Venezuela	38	175	116	53	196	183	144	107	232	207	145
Total Western Hemisphere:	158	441	349	288	647	772	654	838	743	606	550
Grand Total:	1 957	2 753	2 003	2 838	3 224	3 085	2 260	2 877	3 997	3 194	2 819

n/a not applicable

T - less than 500 tonnes.

1 Changes in country status:
EU-12 from 1985-86; unified Germany from 1990-91; EU-15 from 1994-95, includes Austria, Finland and Sweden.
Former U.S.S.R. - 15 countries gained independence during 1991-92.
Eritrea gained independence from Ethiopia during 1992-93.

2 Preliminary: Subject to revision.

Sources: Canadian Grain Commission for 1995-96
All previous years - Statistics Canada

Table XIV

Canadian Wheat Flour Exports by Areas and Countries
1986-87 to 1995-96 Thousand Tonnes

Country[1]	1986-87	1987-88	1988-89	1989-90	1990-91	1991-92	1992-93	1993-94	1994-95	1995-96	10-Year Average
Western Europe:											
EU-15	1	1	2	3	3	3	3	1	1	2	2
Other Western Europe	7	4	1	2	2	1	1	T	1	T	2
Total Western Europe:	8	5	3	5	5	4	4	1	2	2	4
Eastern Europe:	-	T	9	T	T	T	3	-	2	T	1
Total Europe:	8	5	12	5	5	4	7	1	4	3	5
Africa:											
Algeria	-	-	11	6	5	5	6	-	14	2	5
Egypt	-	1	4	7	12	44	-	5	-	-	7
Kenya	-	-	-	-		-	2	-	12	-	1
Morocco	-	-	-	15	14	19	7	6		-	6
Mozambique	-	-	-	-		-	3	T	1	-	T
Sudan	-	-	33	13	12	-	6	-	-	-	6
Others	2	5	29	7	6	30	1	4	1	T	11
Total Africa:	2	6	77	48	49	118	24	15	28	3	37
Asia:											
China, People's Republic of	129	78	18	-	-	-	T	T	T	T	23
Hong Kong	-	-	1	2	2	2	3	3	5	5	2
Iraq	-	-	-	-	-	6	4	-	-	-	1
Japan	T	3	1	T	T	1	1	1	T	2	1
Jordan	T	3	13	-	2	6	2	-	-	T	3
Lebanon	-	-	-	5	T	T	2	2	T	T	1
Singapore	-	-	-	-	-	-	-	-	-	T	1
Syria	-	-	7	6	21	11	9	19	32		11
Vietnam	-	-	-	-	28	25	21	13	16	-	10
Yemen	18	18	25	21	23	5	7	-	-	-	12
Others	55	67	1	19	2	T	T	T	4	T	15
Total Asia:	202	169	66	53	78	56	49	37	57	8	78
Western Hemisphere:											
Bahamas	5	4	4	5	4	4	4	4	4	3	4
Barbados	2	2	2	2	2	T	T	1	1	T	1
Bermuda	2	2	1	1	1	1	1	1	1	1	1
Colombia	-	2	11	5	6	3	1	-	-	-	3
Costa Rica	-	-	-	T	1	T	2	-	-	-	T
Cuba	175	110	75	13	27	-	1	1	3	5	41
Ecuador	-	-	3	6	9	2	T	-	-	-	2
El Salvador	-	-	-	3	T	-		-	-	-	1
Haiti Republic	2		-	-	T	1	-	1	-	1	1
Jamaica	6	1	6	2	2	2	2	2	2	1	3
Leeward & Windward Islands	1	1	-	-	-	-	-		-	-	T
Nicaragua	-	-	1	4	5	2	2	1		T	2
Paraguay	-	2	1	2	-	-	-	-	-		1
Trinidad & Tobago	4	3	2	2	2	3	6	9	10	7	5
United States	14	27	25	13	19	24	71	176	208	164	74
Others	7	8	5	5	6	7	3	20	4	3	7
Total Western Hemisphere:	218	162	136	63	84	49	93	216	233	185	144
Oceania:											
Tonga	-	-	-	-	1	2	1	-	-		T
Others	-	-	-	-	1	-	1	1	1	1	T
Total Oceania:	-	-	-	-	2	2	2	1	T	T	1
Grand Total:	430	342	291	170	219	231	174	271	322	197	265

T - less than 500 tonnes.

1 Changes in country status:
EU-12 from 1985-86; unified Germany from 1990-91; EU-15 from 1994-95, includes Austria, Finland and Sweden.
Political unification took place in Yemen during 1989-90.

Source: Statistics Canada

Table XV

Canadian Malting Barley Exports by Areas and Countries
1986-87 to 1995-96 Thousand Tonnes

Country[1]	1986-87	1987-88	1988-89	1989-90	1990-91	1991-92	1992-93	1993-94	1994-95	1995-96[2]	10-Year Average
Western Europe:											
Netherlands	-	9	-	-	-	-	-	-	6	-	2
Eastern Europe:											
Poland	-	-	-	-	-	-	-	-	10	-	1
Former U.S.S.R.	-	-	-	-	60	-	n/a	n/a	n/a	n/a	n/a
Total Eastern Europe:	-	-	-	-	60	-	-	-	10	-	7
Africa:											
South Africa	-	-	-	-	-	-	-	-	20	-	2
Asia:											
China, People's Republic of	185	263	139	-	122	498	166	252	384	379	239
Hong Kong	-	-	-	-	42	-	-	-	-	-	4
Japan	-	-	-	-	-	11	11	12	59	83	18
Korea, South (ROK)	-	-	-	-	-	15	-	17	35	20	9
Total Asia:	185	263	139	-	164	523	177	281	478	482	269
Oceania:											
Australia	-	-	-	-	-	-	-	-	25	18	4
Western Hemisphere:											
Brazil	-	-	-	-	-	-	-	-	30	56	9
Chile	-	10	-	-	-	-	-	-	-	5	2
Colombia	90	80	40	20	56	116	67	25	88	146	73
Ecuador	15	31	8	-	16	15	7	5	10	28	13
Mexico	-	-	20	-	-	-	-	-	-	-	2
Peru	-	-	6	7	-	-	2	-	-	-	1
United States	39	106	113	154	341	281	84	546	721	692	308
Total Western Hemisphere:	144	226	186	181	413	412	159	576	849	927	407
Grand Total:	329	498	325	181	637	935	336	857	1 388	1 426	691

n/a - not applicable

1 Changes in country status:
Former U.S.S.R. - 15 countries gained independence during 1991-92.

2 Preliminary: Subject to revision.

Sources: Canadian Grain Commission for 1992-93 to 1995-96
All previous years - CWB

Table XVI

Canadian Bulk Barley Exports by Areas and Countries
1986-87 to 1995-96 Thousand Tonnes

Country[1]	1986-87	1987-88	1988-89	1989-90	1990-91	1991-92	1992-93	1993-94	1994-95	1995-96	10-Year Average
Western Europe:											
EU-15:											
Belgium and Luxembourg	-	15	-	-	-	-	-	-	-	-	2
Italy	32	-	-	-			.	-	-	-	3
Netherlands	-	9	-	-	-	-	-	-	6	-	2
Portugal	45	21	9	-	7		.	-	-	.	8
Spain	32	-	-	-	-	-	-	-	-	-	3
Total EU-15:	109	45	9	-	7	-	-	-	6	-	18
Eastern Europe:											
Germany, Democratic Republic	467	260	176	276	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Poland	-	-	-	-	-	-		-	10	-	1
Romania	284	-	-	-	487	-	81	-	-		85
Russia	n/a	n/a	n/a	n/a	n/a	n/a	148	-	-	-	n/a
Former U.S.S.R.	2 149	208	-	914	1 194	372	n/a	n/a	n/a	n/a	n/a
Total Eastern Europe:	2 900	468	176	1 190	1 681	372	229	-	10	-	703
Total Europe:	3 009	513	185	1 190	1 688	372	229	-	16	-	720
Africa:											
Algeria	-	1	-	-	-	-		-	-	-	T
Egypt	-	32	-	-	-	-	-	-	-	-	3
Libya	-	-	-	-	50	-	-	-	-	24	7
Morocco	-	-	-	-	-	-	71	23	-		9
South Africa	-	-	-	-	-	-	-	-	20	-	2
Total Africa:	-	33	-	-	50	-	71	23	20	24	22
Asia:											
China, People's Republic of	285	278	123	26	122	498	166	252	384	379	251
Cyprus	69	42	-	-	-	.	-	-	-	-	11
Hong Kong	-	-	-	-	42	-	-	-	.	.	4
Iran	-	123	63	218	153	-	-	-	-	53	61
Iraq	-	111	115	282	-	-	-	-	-	-	51
Israel	198	65	53	-	-	-	-	-	12		33
Japan	731	900	698	843	966	982	951	1 018	968	395	845
Jordan	26	-	-	-	45	-	-	-	-	-	7
Korea, South (ROK)	-	-	-	-	-	15	-	17	35	20	9
Lebanon	-	3	-	-	-	-	4	-	-	-	1
Malaysia	-	4	-	-	-	-		.	.	-	T
Philippines	13	100	-	-	-	-	-	-	-		11
Saudi Arabia	1 941	1 678	1 091	1 358	993	801	984	572	130	370	992
Syria	-	17	-	-	-	-	-	-	.	-	2
Taiwan	-	69	-	-	-	.	28	45	8		15
Turkey	-	-	-	23	-	-		-	-	-	2
United Arab Emirates	-	-	-	50	-	-	-	-	-	-	5
Total Asia:	3 263	3 389	2 143	2 800	2 321	2 296	2 134	1 903	1 535	1 217	2 300
Oceania:											
Australia	-	-	-	-	-	-	-	-	25	18	4
New Zealand	-	-	-	-	.	-		-	25	-	3
Total Oceania:	-	-	-	-	-	-	-	-	50	18	7
Western Hemisphere:											
Brazil	-	-	-	-	-	-	-	.	30	56	9
Chile	-	10	-	-	-	-	-	-	-	5	2
Colombia	90	80	40	20	58	116	70	25	88	146	73
Cuba	33	38	-	-	-	.	-	-	-	-	7
Ecuador	21	31	8	-	16	15	7	5	10	28	14
Guatemala	-	-	-	-	-	-	-	-	6	-	1
Mexico	-	-	22	-	13	70	17	25	-	57	20
Panama	-	3	-	-	-	-	.	-	-	-	T
Peru	-	-	6	6	-	-	2	-	-		1
United States	118	278	213	214	389	473	174	1 856	1 255	785	575
Total Western Hemisphere:	262	439	289	240	477	673	270	1 911	1 388	1 077	702
Total Barley:	6 534	4 374	2 617	4 230	4 536	3 341	2 704	3 836	3 009	2 336	3 752
Malt (Barley Equivalent):	185	220	223	267	287	344	309	381	497	490	320
Grand Total:	6 719	4 594	2 840	4 497	4 823	3 685	3 013	4 218	3 506	2 826	4 072

n/a - not applicable

T - less than 500 tonnes

1 Changes in country status:
EU-12 from 1985-86; unified Germany from 1990-91; EU-15 from 1994-95, includes Austria, Finland and Sweden.
Former U.S.S.R. - 15 countries gained independence during 1991-92.

2 Preliminary: Subject to revision.

Sources: Canadian Grain Commission for 1995-96
All previous years - Statistics Canada

Table XVII

Clearances of Canadian Bulk Grain[1] by Port Areas
1986-87 to 1995-96 Thousand Tonnes

Crop Year	Atlantic Coast	St. Lawrence[2]	Thunder Bay Direct	Churchill	Pacific Coast	Prairie Elevators Direct	Total
1986-87	552	11 813	1 174	558	16 068	60	30 225
1987-88	582	11 137	1 104	569	17 009	319	30 720
1988-89	402	4 125	1 143	50	11 863	359	17 942
1989-90	114	6 304	1 037	309	16 436	527	24 727
1990-91	112	10 763	709	376	16 515	861	29 336
1991-92	116	9 252	914	233	19 972	1 297	31 784
1992-93	74	5 075	1 280	250	17 929	1 328	25 936
1993-94	121	4 435	2 824	241	16 481	3 378	27 480
1994-95	65	5 514	3 228	291	18 398	2 094	29 590
1995-96[3]	73	4 427	1 464	227	14 853	1 889	22 934
10-Year Average	221	7 285	1 488	310	16 552	1 211	27 067

1 Includes wheat (excluding bagged seed), oats, barley, rye, corn, flaxseed, and canola.
2 Includes shipments from ports along Great Lakes and wheat shipments via Ontario Country Elevators.
3 Preliminary: Subject to revision.
Source: Canadian Grain Commission

Table XVIII

Western Canadian Food Aid Shipments
1995-96 Thousand Tonnes

Country	CIDA Wheat	CIDA Flour[1]	CIDA Sub-Total	World Food Program Wheat	World Food Program Flour[1]	World Food Program Sub-Total	Total Wheat	Total Flour[1]	Total
Algeria	-	-	-	-	1.4	1.4	-	1.4	1.4
Bolivia	7.6	-	7.6	12.1	-	12.1	19.7	-	19.7
China	-	-	-	71.2	-	71.2	71.2	-	71.2
Colombia	-	-	-	8.6	-	8.6	8.6	-	8.6
El Salvador	-	-	-	4.6	-	4.6	4.6	-	4.6
Eritrea	5.2	-	5.2	-	-	-	5.2	-	5.2
Ethiopia	22.9	-	22.9	-	-	-	22.9	-	22.9
Ghana	10.1	-	10.1	-	-	-	10.1	-	10.1
Mauritania	-	-	-	8.2	-	8.2	8.2	-	8.2
Mozambique	21.6	-	21.6	-	-	-	21.6	-	21.6
Peru	-	-	-	5.6	-	5.6	5.6	-	5.6
Senegal	-	-	-	2.7	-	2.7	2.7	-	2.7
Tunisia	-	-	-	7.7	-	7.7	7.7	-	7.7
Yugoslavia	-	-	-	-	0.1	0.1	-	0.1	0.1
TOTAL	67.4	-	67.4	120.6	1.5	122.1	188.1	1.5	189.5

CFBA: Cuba 3 200 tonnes; Ethiopia 8 388 tonnes; 11.6

Grand Total 201.1

1 Flour expressed in wheat equivalent.
Source: CWB

Table XIX

Canadian Wheat Board Exports Under Credit Agreements
1986-87 to 1995-96 Thousand Tonnes

	1986-87	1987-88	1988-89	1989-90	1990-91	1991-92	1992-93	1993-94	1994-95	1995-96	10 Year Average
Wheat/Durum[1]											
Algeria	145	764	326	605	852	363	545	745	-	-	435
Bangladesh	-	104	-	-	-	-	-	-	-	-	10
Brazil	775	445	-	200	304	660	286	590	357	264	388
Colombia	22	-	163	-	-	-	-	-	-	-	19
Cuba	-	-	-	80	-	-	-		-	-	8
Egypt	208	-	-	-	-	-	-		-	-	21
Ethiopia	-	100	-	-	-	-	-	-	-	-	10
Iran	-	-	-	-	-		-	830	1 181	806	282
Iraq	691	880	724	783	-	-	-	-	-		308
Israel	95	18	-	-	-	-	-	-	-	-	11
Jamaica	38	39	39	59	54	73	53	31	20	-	41
Mexico	152	153	-	-	-	-	-	-	-	-	31
Pakistan	-	-	-	-	-	-	94	-	208	-	30
Russia	n/a	n/a	n/a	n/a	n/a	n/a	1314	-	-	-	n/a
Former U.S.S.R.	-	-	-	3 447	7 223	4 915	n/a	n/a	n/a	n/a	n/a
Uzbekistan	n/a	n/a	n/a	n/a	n/a	n/a	-	-	97	-	n/a
Yemen	-	-	-	-	23	-	-	-	-	-	2
Total:	2 126	2 503	1 252	5 174	8 456	6 011	2 292	2 196	1 863	1 070	3 294

	1986-87	1987-88	1988-89	1989-90	1990-91	1991-92	1992-93	1993-94	1994-95	1995-96	10 Year Average
Barley[1]											
Iran		-	-	-	-		-	-	-	53	5
Iraq	-	111	115	224	-	-	-	-	-		45
Israel	198	-	-	-	-	-	-	-	-	-	20
Russia	n/a	n/a	n/a	n/a	n/a	n/a	148	-	-	-	n/a
Former U.S.S.R.	-	-	-	914	1194	372	n/a	n/a	n/a	n/a	n/a
Total:	198	111	115	1 138	1 194	372	148	-	-	53	333
Grand Total:	2 324	2 614	1 367	6 312	9 650	6 383	2 440	2 196	1 863	1 123	3 627

n/a - not applicable

1 Changes in country status:
Former U.S.S.R. - 15 countries gained independence during 1991-92.
Political unification took place in Yemen during 1989-90.

Source: CWB

Table XX

Total Eastern Transportation and Handling Costs for Wheat
Rates Basis Opening of Navigation
Dollars Per Tonne

	1992	1993	1994	1995	1996
Elevation[1]	$5.580	$5.800	$5.920	$6.040	$6.410
Weighing, Inspection[2] and Warehouse Receipts Cancellation[3]	0.860	0.860	0.860	0.860	0.860
LSCA Charges[4]	0.055	0.055	0.055	0.055	0.055
Thunder Bay Fobbing Costs:	**$6.495**	**$6.715**	**$6.835**	**$6.955**	**$7.325**
Lake Freight (including Bunker Fuel) Thunder Bay to St. Lawrence	14.000	14.000	14.014	14.014	14.515
Other Great Lakes Charges	1.295	1.355	1.355	1.355	1.495
Eastern Transfer Elevators Inward Elevation St. Lawrence	2.750	2.800	2.800	2.800	2.800
Total Thunder Bay to St. Lawrence[5] (all water):	**$24.540**	**$24.870**	**$25.004**	**$25.124**	**$26.135**

1 Receiving, weighing and delivery of grain.
2 Sampling and grading of grain by an inspector and issuing of inspection certificate.
3 Cancellation by Canadian Grain Commission of registration of Terminal Warehouse Receipts.
4 Fees of Lake Shippers Clearance Association.
5 Includes lake freight rate as at opening of navigation.

Table XXI

Weighted Average Deductions From Farmers for Freight[1], Country Elevation and Removal of Dockage
Dollars Per Tonne

		1991-92	1992-93	1993-94	1994-95	1995-96
Wheat	Freight	$ 9.91	$10.63	$12.38	$12.74	$31.38
	Country Elevation and Removal of Dockage	10.99	11.05	11.08	11.45	11.65
	Total:	$20.90	$21.68	$23.46	$24.19	$43.03
Durum	Freight	10.33	11.20	12.87	13.32	29.10
	Country Elevation and Removal of Dockage	10.81	10.80	10.80	11.09	11.25
	Total:	$21.14	$22.00	$23.67	$24.41	$40.36
Barley	Freight	9.85	10.63	12.36	12.60	31.86
	Country Elevation and Removal of Dockage	12.99	12.92	12.90	13.40	13.50
	Total:	$22.84	$23.55	$25.26	$26.00	$45.36

1 Figures do not include weighting for consigned rail car shipments.

Table XXII

Canadian Wheat Board Payments for No. 1 Canada Western Red Spring Wheat in store St. Lawrence or Vancouver, 1986-87 to 1995-96
Dollars Per Tonne

Pool Account	Initial Payment	Adjustment Payment	Interim Payment	Final Payment[1]	Final Realized Price[1]
1986-87	130.00	-	-	-	130.00
1987-88	110.00	10.00	-	14.02	134.02
1988-89	150.00	20.00	15.00	12.14	197.14
1989-90	155.00	10.00	-	7.11	172.11
1990-91	135.00	-	-	-	135.00
1991-92	95.00	14.00	9.00	16.14	134.14
1992-93	112.00	12.00	15.00	17.82	156.82
1993-94	105.00	30.00	11.00	18.01	164.01
1994-95	110.00	67.00	10.00	8.59	195.59
1995-96[2]	160.00	86.00	-	8.61	254.16

1 Final payment and final realized price after deduction of CWB operating costs.
2 Eastern pooling point changed from Thunder Bay to St. Lawrence.
Source: CWB

Table XXIII

Canadian Wheat Board Payments for No. 1 Canada Western Amber Durum in store St. Lawrence or Vancouver, 1986-87 to 1995-96
Dollars Per Tonne

Pool Account	Initial Payment	Adjustment Payment	Interim Payment	Final Payment[1]	Final Realized Price[1]
1986-87	130.00	-	-	20.20	150.20
1987-88	110.00	15.00	-	44.36	169.36
1988-89	175.00	15.00	-	14.48	204.48
1989-90	150.00	-	-	13.85	163.85
1990-91	125.00	-	-	-	125.00
1991-92	90.00	8.00	18.00	19.32	135.32
1992-93	108.00	12.00	15.00	23.36	158.36
1993-94	115.00	70.00	22.00	28.36	235.36
1994-95	125.00	92.00	30.00	24.01	271.01
1995-96[2]	165.00	96.00	12.00	13.13	286.13

1 Final payment and final realized price after deduction of CWB operating costs.
2 Eastern pooling point changed from Thunder Bay to St. Lawrence.
Source: CWB

Table XXIV

Canadian Wheat Board Payments for No. 1 Canada Western Barley in store St. Lawrence or Vancouver, 1986-87 to 1995-96
Dollars Per Tonne

Pool Account	Initial Payment	Adjustment Payment	Interim Payment	Final Payment[1]	Final Realized Price[1]
1986-87	80.00	-	-	-	80.00
1987-88	60.00	5.00	-	9.08	74.08
1988-89	120.00	-	-	4.23	124.23
1989-90	85.00	15.00	12.00	12.38	124.38
1990-91	90.00	-	-	-	90.00
1991-92	70.00	16.00	9.00	12.59	107.59
1992-93	88.00	-	-	14.46	102.46
1993-94	75.00	5.00	10.00	9.94	99.94
1994-95	75.00	25.00	-	1.94	101.94
1995-96[2]	115.00	82.00	-	8.49	205.49

1 Final payment and final realized price after deduction of CWB operating costs.
2 Eastern pooling point changed from Thunder Bay to St. Lawrence.
Source: CWB

Table XXV

Canadian Wheat Board Payments for Special Select Canada Western 2-Row Barley in store St. Lawrence or Vancouver, 1986-87 to 1995-96
Dollars Per Tonne

Pool Account	Initial Payment	Adjustment Payment	Interim Payment	Final Payment[1]	Final Realized Price[1]
1986-87	165.00	-	-	-	165.00
1987-88	115.00	20.00	-	16.67	151.67
1988-89	190.00	-	15.00	17.75	222.75
1989-90	115.00	55.00	25.00	15.91	210.91
1990-91	125.00	12.50	8.00	9.29	154.79
1991-92	90.00	32.00	9.00	11.00	142.00
1992-93	110.00	30.00	7.00	13.80	160.80
1993-94	94.00	20.00	10.00	10.62	134.62
1994-95	110.00	54.00	7.00	6.17	177.17
1995-96[2]	145.00	92.00	-	11.99	248.99

1 Final payment and final realized price after deduction of CWB operating costs.
2 Eastern pooling point changed from Thunder Bay to St. Lawrence.
Source: CWB

Table XXVI

Number of Canadian Wheat Board Delivery Permits issued to Producers
1986-87 to 1995-96

Crop Year	Manitoba	Saskatchewan	Alberta and British Columbia	Total
1986-87	24,600	70,785	48,043	143,428
1987-88	25,271	70,686	48,280	144,237
1988-89	24,810	70,014	48,417	143,241
1989-90	24,090	68,938	47,267	140,295
1990-91	23,341	67,954	45,654	136,949
1991-92	22,447	66,591	44,188	133,226
1992-93	21,569	66,469	42,048	130,086
1993-94	20,161	64,169	39,359	123,689
1994-95	19,161	63,012	37,671	119,844
1995-96	18,115	61,462	35,792	115,369

Source: CWB

Table XXVII

Number of CWB Employees at July 31
1987 to 1996

Year	Permanent	Temporary	Total
1987	462	42	504
1988	448	37	485
1989	434	35	469
1990	430	36	466
1991	439	34	473
1992	446	27	473
1993	453	53	506
1994	464	58	522
1995	452	70	522
1996	454	69	523

Source: CWB

Table XXVIII

Summary of Crop Year Contracts as at July 31, 1996

Grain/Grade	Contract Series	Per cent Called	Moisture	Train Runs
Canada Western Red Spring Wheat				
1 CWRS 13.5% protein and higher	A-D	100%	ST/TF/DP	All
1 CWRS 13.5% protein and lower	A-D	100%	ST/TF/DP	All
2 CWRS 13.5% protein and higher	A-D	100%	ST/TF/DP	All
2 CWRS (all proteins)	A-D	100%	ST/TF/DP	All
3 CWRS	A-D	100%	ST/TF/DP	All
Durum Wheat				
1 CWAD 13.0% protein and higher	A-D	100%	ST/TF/DP	All
1 CWAD (all protein levels)	A-D	100%	ST/TF/DP	All
2 CWAD 13.0% protein and higher	A-D	100%	ST/TF/DP	All
2 CWAD (all protein levels)	A-D	100%	ST/TF/DP	All
3 CWAD	A-D	100%	ST/TF/DP	All
4 & 5 CWAD	A-D	100%	ST/TF/DP	All
Canada Feed				
Canada Feed Wheat	A-D	100%	ST/TF/DP	All
Canada Prairie Spring Wheat (Red)				
1 & 2 CPSR	A-D	100%	ST/TF/DP	All
Canada Prairie Spring Wheat (White)				
1 & 2 CPSW	A-D	100%	ST/TF/DP	All
Soft White Spring Wheat				
1 & 2 SWS Select 9.9% protein and lower	A-D	100%	ST/TF/DP	All
1 & 2 SWS	A-D	100%	ST/TF/DP	All
3 SWS	A-D	100%	ST/TF/DP	All
Red Winter Wheat				
1 & 2 CWRW	A-D	100%	ST/TF/DP	All
Canada Western Extra Strong Wheat				
1 & 2 CWES	A-D	100%	ST/TF/DP	All
Barley				
Extra No.1 and 1 & 2 CW	A-B	100%	ST/TF/DP	All
	C	50%	ST/TF/DP	All
	D	100%	ST/TF/DP	All

ST - Straight
TF - Tough
DP - Damp

Source: CWB

Table XXIX

Wheat production in the Major Producing Countries
1986 to 1995[1] (thousand tonnes)

Year	China (P.R.C.)	EU[2]	United States	India	Russian Federation[3]	Canada	Ukraine[3]	Turkey	Pakistan	Australia	Others	Total
1986	90 295	72 013	56 896	47 052	47 434	31 378	18 411	19 032	13 922	16 778	118 138	531 349
1987	85 840	71 578	57 361	45 577	36 688	25 945	19 655	18 932	12 020	12 369	118 941	504 906
1988	85 432	74 773	49 320	46 169	39 864	15 913	21 709	20 500	12 675	14 054	119 738	500 147
1989	90 807	79 374	55 427	54 110	44 044	24 796	27 400	16 200	14 419	14 214	116 405	537 196
1990	98 229	84 653	74 292	49 850	49 596	32 099	30 374	20 000	14 429	15 066	123 790	592 378
1991	96 000	90 630	53 890	55 134	38 900	31 946	23 315	18 400	14 565	10 557	111 876	545 213
1992	100 500	84 907	67 135	55 690	46 170	29 879	19 570	17 300	15 684	16 184	115 910	568 929
1993	106 390	80 873	65 220	56 760	43 500	27 232	21 030	16 800	16 157	16 900	106 423	557 285
1994	101 000	85 533	63 167	59 000	32 100	22 933	13 857	14 700	15 213	9 000	107 829	524 332
1995[4]	103 000	87 763	59 411	65 400	30 100	25 017	16 263	15 500	17 000	16 975	105 241	541 670
10-Year Average	95 749	81 210	60 212	53 474	40 840	26 714	21 158	17 736	14 608	14 210	114 429	540 341

1 Includes durum.

2 EU-12 member states from 1986; unified Germany from 1990; EU-15 from 1994.

3 Production estimates are on a net-weight basis beginning 1986, i.e., excludes excess moisture or excess foreign material.

4 Preliminary: Subject to revision.

Sources: Canada - Statistics Canada
United States - United States Department of Agriculture
All other countries/total - International Grains Council

Table XXX

Exports of Wheat and Wheat Flour by Principal Exporters
Distribution by Quantity and Percentage of World Trade Total
1986-87 to 1995-96 (July-June)[1] (thousand tonnes)

Crop Year	Argentina	Australia	Canada[2]	EU[3]	United States	Others	Total
1986-87	4 359	14 997	20 783	16 421	28 418	4 989	89 967
	4.8%	16.7%	23.1%	18.3%	31.6%	5.5%	100.0%
1987-88	3 824	12 232	23 516	15 879	43 429	7 998	106 878
	3.6%	11.4%	22.0%	14.9%	40.6%	7.5%	100.0%
1988-89	3 416	10 848	12 419	20 590	37 583	13 039	97 895
	3.5%	11.1%	12.7%	21.0%	38.4%	13.3%	100.0%
1989-90	5 778	10 866	17 424	20 341	33 516	7 240	95 165
	6.1%	11.4%	18.3%	21.4%	35.2%	7.6%	100.0%
1990-91	4 940	11 925	22 130	19 712	28 328	5 327	92 362
	5.3%	12.9%	24.0%	21.3%	30.7%	5.8%	100.0%
1991-92	5 734	8 283	25 384	21 278	35 117	12 360	108 156
	5.3%	7.7%	23.5%	19.7%	32.5%	11.4%	100.0%
1992-93	7 322	9 526	20 330	22 746	37 136	8 371	105 431
	6.9%	9.0%	19.3%	21.6%	35.2%	7.9%	100.0%
1993-94	4 493	12 771	19 304	19 124	33 084	3 832	92 608
	4.9%	13.8%	20.8%	20.7%	35.7%	4.1%	100.0%
1994-95	7 867	7 900	20 771	16 098	32 208	7 176	92 020
	8.5%	8.6%	22.6%	17.5%	35.0%	7.8%	100.0%
1995-96[4]	4 420	12 100	16 198	12 600	33 594	10 689	89 600
	4.9%	13.5%	18.1%	14.1%	37.5%	11.9%	100.0%
10-Year Average	5 215	11 145	19 826	18 479	34 241	8 102	97 008
	5.4%	11.5%	20.4%	19.0%	35.3%	8.4%	100.0%

1 Includes durum (grain and semolina); "Total" excludes processed re-exports of wheat flour of about 700 000 tonnes annually, mainly from EU and Japan.

2 Canada - August/July; includes Eastern wheat exported through Port Stanley and seed wheat.

3 EU-12 member states from 1986-87; unified Germany from 1990-91; EU-15 from 1994-95; excludes EU intra-trade.

4 Preliminary: Subject to revision.

Because of rounding, percentages may not add.
Sources: Canada - Statistics Canada
United States - United States Department of Agriculture
All other countries/total - International Grains Council

Table XXI

Imports of Wheat and Wheat Flour into Selected Countries from All Sources
1986-87 to 1995-96 (July-June)[1] (thousand tonnes)

Crop Year	Former U.S.S.R	China [illegible]	Egypt	Japan	Algeria	Brazil	South Korea (R.O.K.)	Iran	Indonesia	Morocco	Iraq	Pakistan
1986-87	16 008	8 923	7 344	5 576	3 469	2 834	4 206	2 425	1 609	1 559	2 874	445
1987-88	22 046	15 385	7 165	5 667	4 813	2 032	4 691	4 451	1 782	1 887	2 907	634
1988-89	14 789	15 855	7 205	5 376	4 313	772	2 559	3 300	1 721	1 362	3 430	2 257
1989-90	14 795	12 901	7 279	5 343	4 222 [3]	1 513	1 791	5 233	1 860	1 069	3 400	1 889
1990-91	14 750	9 461	5 864	5 482	4 599 [3]	2 832	4 071	4 088	2 003	1 945	125	1 051
1991-92	21 981	15 872	5 809	5 828	4 090 [3]	5 297	4 428	2 517	2 518	1 556	1 856	2 310
1992-93	19 265	6 750	6 224	5 911	4 007	5 827	4 008	2 979	2 649	2 897	414	2 613
1993-94	6 267	4 483	5 887	5 979	4 937	5 774	5 902	3 533	2 924	2 448	933	2 085
1994-95	3 870	10 058	6 203	5 730	5 819	6 533	4 091	3 277	3 329	1 181	788	2 024
1995-96[4]	3 655	12 600	6 100	5 900	3 200	5 800	2 600	3 050	3 600	2 400	900	1 950
10-Year Average	13 743	11 229	6 508	5 679	4 347	3 921	3 835	3 485	2 400	1 830	1 763	1 726

1 Includes durum (grain and semolina).

2 Excludes FSU intra-trade. Historical data are not available by individual republic from the IGC.

3 From 1989-90 to 1991-92, the total understates imports due to substantial US transshipments through Canada, not itemised in official customs statistics.
For 1992-93 customs data adjusted according to USDA estimates of destination of transshipments.

4 Preliminary: Subject to revision.

Source: International Grains Council "World Grain Statistics" 1995/96

Table XXII

Wheat Carryover Stocks in the Major Exporting Countries
Local Marketing Years 1986-87 to 1995-96[1] (thousand tonnes)

Crop Year	Argentina	Australia	Canada	EU[2]	United States	Others	Total
1986-87	242	4 430	12 714	15 951	49 557	93 006	**175 900**
1987-88	837	3 408	7 938	15 469	34 315	88 033	**150 000**
1988-89	481	2 675	5 057	12 587	19 095	74 405	**114 300**
1989-90	31	3 035	6 442	14 359	14 600	79 133	**117 600**
1990-91	822	2 800	10 285	17 234	23 627	87 932	**142 700**
1991-92	145	2 897	10 066	22 270	12 928	77 294	**125 600**
1992-93	45	4 697	12 193	23 500	14 442	90 923	**145 800**
1993-94	395	3 841	11 117	16 367	15 472	94 008	**141 200**
1994-95	200	2 500	5 679	12 417	13 787	76 617	**111 200**
1995-96[3]	100	2 600	6 633	9 417	10 234	65 016	**94 000**

1 Includes durum; world total represents countries listed by IGC.

2 EU-12 member states from 1986-87; unified Germany from 1990-91; EU-15 from 1994-95.

3 Preliminary: Subject to revision.

Sources: Canada - Statistics Canada
United States - United States Department of Agriculture
All other countries/total - International Grains Council

Table XXXIII

Durum Wheat Production in the Major Producing Countries
1986 to 1995 (thousand tonnes)

Year	EU[1]	Turkey	Canada	United States	Former U.S.S.R.[2]	Morocco	Syria	Algeria	Tunisia	Iraq	Others	Total
1986	7 238	6 000	3 897	2 665	2 500	1 981	1 300	785	378	500	2 764	30 008
1987	7 525	5 500	4 014	2 521	2 000	1 126	1 250	777	1 065	350	2 790	28 918
1988	6 960	4 000	1 908	1 220	2 000	1 766	1 350	415	167	470	2 588	22 844
1989	6 608	5 500	4 140	2 510	2 000	1 767	600	850	333	250	2 520	27 078
1990	7 398	5 500	4 197	3 332	2 000	1 617	1 100	575	897	250	2 455	29 321
1991	11 340	5 000	4 586	2 829	2 000	2 216	1 300	1 250	1 424	250	2 596	34 791
1992	9 042	4 000	3 138	2 719	2 000	682	1 400	1 300	1 323	150	2 876	28 630
1993	6 907	4 200	3 358	1 918	2 000	587	1 600	1 100	1 133	200	3 172	26 175
1994	7 977	4 000	4 635	2 633	2 200	2 350	1 800	650	436	200	3 525	30 406
1995[3]	6 787	3 500	4 648	2 783	2 300	600	2 000	1 250	472	220	3 388	27 948
10-Year Average	7 778	4 720	3 852	2 513	2 100	1 469	1 370	895	763	284	2 868	28 612

1 EU-12 member states from 1986; unified Germany from 1990; EU-15 from 1994.

2 Estimated by the IGC, no official statistics available. Hence, durum is not adjusted for net-weight basis.

3 Preliminary: Subject to revision.

Sources: Canada - Statistics Canada
United States - United States Department of Agriculture
All other countries/total - International Grains Council

Table XXXIV

Exports of Durum Wheat (including semolina) by Principal Exporters
Distribution by Quantity and Percentage of Total
1986-87 to 1995-96 (July-June)[1] (thousand tonnes)

Crop Year	Canada	EU[2]	United States	Total
1986-87	1 990	1 029	2 088	5 107
	39.0%	20.1%	40.9%	100.0%
1987-88	2 789	1 965	1 396	6 150
	45.3%	32.0%	22.7%	100.0%
1988-89	2 034	2 796	474	5 304
	38.3%	52.7%	8.9%	100.0%
1989-90	2 847	2 274	1 502	6 623
	43.0%	34.3%	22.7%	100.0%
1990-91	3 232	2 111	1 216	6 559
	49.3%	32.2%	18.5%	100.0%
1991-92	3 091	2 567	1 335	6 993
	44.2%	36.7%	19.1%	100.0%
1992-93	2 279	2 642	1 275	6 196
	36.8%	42.6%	20.6%	100.0%
1993-94	2 903	1 171	1 185	5 259
	55.2%	22.3%	22.5%	100.0%
1994-95	4 028	1 578	994	6 600
	61.0%	23.9%	15.1%	100.0%
1995-96[3]	3 222	350	826	4 397
	73.3%	8.0%	18.8%	100.0%
10-Year Average	2 842	1 848	1 229	5 919
	48.0%	31.2%	20.8%	100.0%

1 Canada: August-July.

2 EU-12 member states from 1986-87; unified Germany from 1990-91; EU-15 from 1994-95; excludes EU intra-trade.

3 Preliminary: Subject to revision.

Because of rounding, percentages may not add.

Sources: Canada - Statistics Canada
EU - International Grains Council
United States - USDA "Inspections for Export"

Table XXXV

Imports of Durum Wheat (including semolina) into Selected Countries from All Sources
1986-87 to 1995-96 (July-June)[1] (thousand tonnes)

Crop Year	[illegible]	Former [illegible]	Italy	United States	Tunisia	Venezuela	Libya	Belgium[5]	Japan	Morocco	Poland	Turkey
1986-87	2 341	505	652	59	447	225	222	32	119	-	115	48
1987-88	3 164	1 276	288	176	270	272	162	118	116	8	120	T
1988-89	2 725	909	224	202	445	225	136	41	140	5	129	-
1989-90	2 640[2]	1 102	337	179	320	136	190	103	138	2	75	200
1990-91	2 485[2]	1 165	163	308	144	237	230	115	140	59	153	49
1991-92	2 481[2]	1 777	138	399	22	272	317	116	132	44	92	36
1992-93	2 381	783	199	406	12	288	166	-	161	260	143	190
1993-94	2 265	2	216	437	33	266	212	306	109	292	123	198
1994-95	3 523	22	327	347	516	233	289	242	79	55	47	17
1995-96[4]	1 600	20	418	300	350	330	250	426	140	320	50	110
10-Year Average	2 561	756	296	281	256	248	217	150	127	105	105	85

T - Less than 500 tonnes.

1 Excludes EU intra-trade.

2 From 1989-90 to 1991-92, the total understates imports due to substantial US transshipments through Canada, not itemised in official customs statistics.
For 1992-93 customs data adjusted according to USDA estimates of destination of transshipments.

3 Excludes FSU intra-trade. Historical data are not available by individual republic from the IGC.

4 Preliminary: Subject to revision.

5 Some imports by Belgium may be transshipped to other Western European countries.

Source: International Grains Council "World Grain Statistics" 1995/96

Table XXXVI

Durum Wheat Carryover Stocks in the Major Exporting Countries
Local Marketing Years 1986-87 to 1995-96 (thousand tonnes)

Crop Year	Canada	EU	United States	Total
1986-87	1 620	2 449	2 585	6 654
1987-88	1 626	3 101	2 259	6 986
1988-89	846	1 799	1 633	4 278
1989-90	1 362	1 618	1 361	4 341
1990-91	1 567	1 757	1 687	5 011
1991-92	2 206	4 600	1 497	8 303
1992-93	2 057	3 685	1 334	7 076
1993-94	1 703	1 585	762	4 050
1994-95	1 463	900	708	3 071
1995-96[2]	2 023	800	708	3 531

1 EU-12 member states from 1986-87; unified Germany from 1990-91; EU-15 from 1994-95.

2 Preliminary: Subject to revision.

Sources: Canada - Statistics Canada
EU - International Grains Council
United States - United States Department of Agriculture

Table XXXVII

World Flour Trade by Principal Exporters and Selected Importers
1986-87 to 1995-96 (July-June)[1] (thousand tonnes)

	1986-87	1987-88	1988-89	1989-90	1990-91	1991-92	1992-93	1993-94	1994-95	1995-96	10-Year Average
Importers											
Egypt	1 804	1 800	1 702	1 413	671	487	1 084	623	344	250	1 018
Libya	439	525	547	491	639	726	637	588	712	600	590
Yemen Rep. of	250	348	284	309	597	608	525	807	1 072	850	565
Syria	388	218	220	474	657	568	619	530	251	50	398
Algeria	65	23	160	179	208	329	300	684	972	850	377
Vietnam	271	247	253	297	263	348	368	288	411	300	305
Hong Kong	164	173	231	239	252	280	275	276	313	300	250
Sudan	258	240	244	135	210	209	70	228	345	320	226
Cuba	237	250	262	307	204	204	159	153	134	180	209
Cameroon	190	319	266	335	387	230	125	62	59	30	200
Iraq	179	98	70	43	1	384	308	187	316	350	194
Others	2 443	2 223	2 359	2 565	3 562	3 840	3 671	3 927	4 778	4 185	3 355
WORLD TOTAL	6 688	6 464	6 598	6 787	7 651	8 213	8 141	8 353	9 707	8 265	7 687
Exporters											
Australia	82	90	112	69	61	71	64	57	50	105	76
Canada	430	342	291	170	219	231	174	271	322	197	265
EU[2]	3 518	3 880	3 664	3 760	4 570	4 806	4 893	5 053	5 120	4 500	4 376
United States	1 704	1 273	1 351	1 453	1 448	1 230	1 499	1 239	1 651	790	1 364
Others	954	879	1 180	1 335	1 353	1 875	1 511	1 733	2 564	2 673	1 606
WORLD TOTAL	6 688	6 464	6 598	6 787	7 651	8 213	8 141	8 353	9 707	8 265	7 687

1 Wheat equivalent; includes durum flour; Canada: August-July. Includes Processed Secondary Trade (PST) (exports of flour processed from imported wheat, mainly from the EU and Japan).

2 EU-12 from 1985-86; unified Germany from 1990-91; EU-15 from 1994-95; excludes EU intra-trade.

Sources: Canada - Statistics Canada
All other countries/total - International Grains Council

Table XXXVIII

Coarse Grains Production in the Major Producing Countries
1986 to 1995[1] (thousand tonnes)

Year	United States	China (P.R.C.)	EU[2]	Russian Federation[3]	India	Brazil	Canada	Ukraine[3]	Mexico	Poland	Others	Total
1986	252 113	84 832	89 138	54 020	26 573	27 544	25 423	20 601	14 880	17 741	210 265	823 130
1987	216 980	93 569	89 601	55 698	23 755	25 935	25 434	24 218	14 510	18 119	196 835	784 654
1988	149 684	92 141	94 264	48 120	31 329	26 807	19 858	20 257	13 755	16 922	207 686	720 823
1989	221 522	91 309	89 802	54 280	34 559	23 122	23 417	20 235	14 090	18 496	200 274	791 106
1990	230 738	111 685	84 053	60 389	32 553	25 035	24 498	16 806	18 355	18 988	203 362	826 462
1991	218 620	111 643	89 703	46 179	25 930	31 426	21 781	15 058	19 622	18 541	209 898	808 401
1992	277 416	108 640	82 429	55 787	36 779	29 856	19 625	15 585	22 269	12 594	208 132	869 112
1993	186 453	117 840	82 763	51 222	31 020	33 760	24 049	20 289	22 709	15 240	212 590	797 935
1994	284 886	113 680	86 455	45 100	30 080	37 758	23 395	18 526	20 605	14 115	193 815	868 415
1995[4]	209 436	124 415	88 264	30 700	29 680	32 351	24 120	15 607	21 000	17 243	201 735	794 551
10-Year Average	224 785	104 975	87 647	50 150	30 226	29 359	23 160	18 718	18 180	16 800	204 459	808 459

1 Coarse Grains include barley, rye, oats, corn, sorghum, millet and mixed grains.

2 EU-12 member states from 1986; unified Germany; EU-15 from 1994.

3 Production figures are on a net-weight basis, i.e., excludes excess moisture or excess foreign material.

4 Preliminary: Subject to revision.

Sources: Canada - Statistics Canada
All other countries/total - United States Department of Agriculture

Table XXXIX

Exports of Coarse Grains by Principal Exporters
Distribution by Quantity and Percentage of World Trade Total
1986-87 to 1995-96 (October-September)[1] (thousand tonnes)

Crop Year	Argentina	Australia	Canada[2]	EU[3]	United States	China (P.R.C.)	Others	Total
1986-87	4 998	3 138	7 134	5 700	47 405	4 177	10 348	82 900
	6.0%	3.8%	8.6%	6.9%	57.2%	5.0%	12.5%	100.0%
1987-88	5 818	2 464	5 284	9 000	52 862	4 528	9 644	89 600
	6.5%	2.8%	5.9%	10.0%	59.0%	5.1%	10.8%	100.0%
1988-89	3 601	1 909	3 470	10 000	60 448	5 158	13 415	98 000
	3.7%	1.9%	3.5%	10.2%	61.7%	5.3%	13.7%	100.0%
1989-90	4 271	2 776	5 250	9 500	69 016	3 435	10 252	104 500
	4.1%	2.7%	5.0%	9.1%	66.0%	3.3%	9.8%	100.0%
1990-91	5 189	3 124	5 372	7 500	51 804	7 135	9 376	89 500
	5.8%	3.5%	6.0%	8.4%	57.9%	8.0%	10.5%	100.0%
1991-92	7 422	2 343	4 874	9 800	50 197	10 338	11 026	96 000
	7.7%	2.4%	5.1%	10.2%	52.3%	10.8%	11.5%	100.0%
1992-93	6 029	2 887	3 822	8 400	50 101	13 014	7 447	91 700
	6.6%	3.1%	4.2%	9.2%	54.6%	14.2%	8.1%	100.0%
1993-94	4 855	4 954	5 601	8 200	40 041	12 041	9 909	85 600
	5.7%	5.8%	6.5%	9.6%	46.8%	14.1%	11.6%	100.0%
1994-95	6 363	1 489	4 897	8 100	65 671	1 601	8 879	97 000
	6.6%	1.5%	5.0%	8.4%	67.7%	1.7%	9.2%	100.0%
1995-96[4]	7 325	4 560	4 168	5 150	58 431	300	8 066	88 000
	8.3%	5.2%	4.7%	5.9%	66.4%	0.3%	9.2%	100.0%
10-Year Average	5 587	2 964	4 987	8 135	54 598	6 173	9 836	92 280
	6.1%	3.2%	5.4%	8.8%	59.2%	6.7%	10.7%	100.0%

1 Coarse Grains include barley, rye, oats, corn, sorghum and millet; excludes products. Statistics for the "EU" and "Total" have been rounded off due to limitations in data.

2 Canada: August-July; includes exports through unlicensed channels.

3 EU-12 member states from 1986-87, unified Germany; EU-15 from 1994-95; excludes EU intra-trade.

4 Preliminary: Subject to revision.

Because of rounding, percentages may not add.

Sources: Canada - Statistics Canada
All other countries/total - United States Department of Agriculture

Table XL

Imports of Coarse Grains into Selected Countries from All Sources
1986-87 to 1995-96 (October-September)[1] (thousand tonnes)

Crop Year	Japan	Russian Federation[2]	South Korea (R.O.K.)	Saudi Arabia	Mexico	Taiwan	United States	Egypt	China (P.R.C.)	Malaysia	Algeria	Belarus
1986-87	22 086	n/a	4 815	9 685	4 067	5 012	751	2 322	2 069	1 257	1 106	n/a
1987-88	22 355	11 090	5 023	5 711	3 777	4 950	1 123	1 399	549	1 414	1 826	1 630
1988-89	21 555	16 945	6 357	5 496	5 521	4 192	1 501	1 255	256	1 375	1 612	2 355
1989-90	21 602	13 790	6 288	4 952	8 163	5 590	1 321	1 254	1 023	1 523	1 433	2 140
1990-91	21 869	9 710	5 634	5 174	5 103	5 599	1 829	2 060	915	1 494	1 347	1 615
1991-92	21 841	9 740	6 449	7 812	6 213	5 558	2 195	1 425	1 069	1 732	928	1 675
1992-93	22 103	6 162	6 716	4 761	4 511	5 883	1 515	1 757	647	1 957	1 603	1 060
1993-94	21 213	3 160	5 778	5 579	4 872	5 885	4 640	2 211	1 318	1 977	1 973	450
1994-95	21 174	809	8 966	3 935	5 832	6 623	3 144	2 613	6 381	2 415	1 321	386
1995-96[3]	20 370	1 050	10 050	3 700	8 555	6 275	2 295	2 475	3 400	2 300	650	270
10-Year Average	21 617	8 051	6 608	5 681	5 661	5 557	2 031	1 877	1 763	1 744	1 380	1 287

n/a - not available.

1 Coarse Grains include barley, rye, oats, corn, sorghum and millet; excludes products.

2 Includes FSU intra-trade; 9-year average.

3 Preliminary: Subject to revision.

Source: United States Department of Agriculture

Table XLI

Coarse Grains Carryover Stocks in the Major Exporting Countries
Local Marketing Years 1986-87 to 1995-96[1] (thousand tonnes)

Crop Year	Argentina	Australia	Canada	EU[2]	United States	China (P.R.C.)	Others	Total
1986-87	589	237	5 744	13 740	152 604	19 788	42 499	235 201
1987-88	552	577	6 337	12 328	134 116	19 133	38 923	211 966
1988-89	1 046	939	4 626	14 537	66 164	16 664	42 599	146 575
1989-90	452	703	4 328	12 097	45 655	15 533	43 504	122 272
1990-91	668	360	5 449	14 027	47 780	25 250	40 990	134 524
1991-92	1 092	1 177	4 869	19 358	33 992	31 725	42 290	134 503
1992-93	1 457	1 374	5 340	19 147	63 092	28 331	44 007	162 748
1993-94	1 402	893	4 970	16 527	27 383	26 281	45 652	123 108
1994-95	787	491	3 333	11 884	45 338	28 113	43 833	133 779
1995-96[3]	822	536	2 753	9 282	14 447	31 213	31 668	90 721

1 Coarse Grains include barley, rye, oats, corn, sorghum and millet.

2 EU-12 member states from 1986-87, unified Germany; EU-15 from 94-95.

3 Preliminary: Subject to revision.

Sources: Canada - Statistics Canada

All other countries/total - United States Department of Agriculture

Table XLII

Barley Production in the Major Producing Countries
1986 to 1995 (thousand tonnes)

Year	EU[1]	Russian Federation[2]	Canada	Ukraine[2]	United States	Turkey	Kazakhstan[2]	Australia	China (P.R.C.)	Poland	Others	Total
1986	51 051	25 589	14 568	9 973	13 249	6 300	7 409	3 611	3 453	4 412	37 099	176 714
1987	50 996	26 101	13 916	12 190	11 354	6 000	6 929	3 477	3 717	4 335	34 885	173 900
1988	54 015	19 418	10 326	8 751	6 314	7 000	5 850	3 306	3 990	3 804	40 049	162 823
1989	51 045	22 201	11 784	10 090	8 800	4 900	5 310	4 121	3 571	3 909	39 126	164 857
1990	50 844	27 235	13 441	9 168	9 192	6 600	8 500	4 184	3 930	4 217	40 745	178 056
1991	51 531	22 174	11 617	8 047	10 110	6 800	3 085	4 606	3 928	4 257	42 989	169 144
1992	43 323	26 989	11 032	10 106	9 908	6 500	8 511	5 460	4 000	2 819	37 119	165 767
1993	42 588	26 900	12 972	13 550	8 666	7 300	7 149	6 956	4 200	3 300	36 381	169 962
1994	43 687	27 000	11 690	14 508	8 162	6 500	5 100	2 791	3 800	2 686	34 662	160 586
1995[3]	43 735	15 800	13 035	9 633	7 829	6 900	2 407	5 498	4 000	3 279	29 522	141 638
10-Year Average	48 282	23 941	12 438	10 602	9 358	6 480	6 025	4 401	3 859	3 702	37 258	166 345

1 EU-12 member states from 1986; unified Germany; EU-15 from 1994.

2 Production estimates are on a net-weight basis, i.e., excludes excess moisture or excess foreign material.

3 Preliminary: Subject to revision.

Sources: Canada - Statistics Canada
All other countries/total - United States Department of Agriculture

Table XLIII

Exports of Barley by Principal Exporters
Distribution by Quantity and Percentage of World Trade Total
1986-87 to 1995-96 (October-September)[1] (thousand tonnes)

Crop Year	Australia	Canada	EU[2]	United States	Others	Total
1986-87	2 232	6 534	6 200	2 938	696	18 600
	12.0%	35.1%	33.3%	15.8%	3.7%	100.0%
1987-88	1 639	4 374	7 000	2 810	177	16 000
	10.2%	27.3%	43.8%	17.6%	1.1%	100.0%
1988-89	1 364	2 617	8 349	1 718	1 807	15 855
	8.6%	16.5%	52.7%	10.8%	11.4%	100.0%
1989-90	2 447	4 230	7 905	1 798	1 323	17 703
	13.8%	23.9%	44.7%	10.2%	7.5%	100.0%
1990-91	2 683	4 536	7 053	1 507	4 034	19 813
	13.5%	22.9%	35.6%	7.6%	20.4%	100.0%
1991-92	1 951	3 341	8 260	2 090	3 377	19 019
	10.3%	17.6%	43.4%	11.0%	17.8%	100.0%
1992-93	2 600	2 704	5 587	1 611	4 193	16 695
	15.6%	16.2%	33.5%	9.6%	25.1%	100.0%
1993-94	4 232	3 836	6 015	1 553	2 903	18 539
	22.8%	20.7%	32.4%	8.4%	15.7%	100.0%
1994-95	1 356	3 009	5 061	1 355	3 913	14 694
	9.2%	20.5%	34.4%	9.2%	26.6%	100.0%
1995-96[3]	3 700	2 336	2 750	1 100	2 524	12 410
	29.8%	18.8%	22.2%	8.9%	20.3%	100.0%
10-Year Average	2 420	3 752	6 418	1 848	2 495	16 933
	14.3%	22.2%	37.9%	10.9%	14.7%	100.0%

1 Excludes malt; Canada: August-July.

2 EU-12 member states from 1986-87; unified Germany; EU-15 from 1994-95; excludes EU intra-trade.

3 Preliminary: Subject to revision.

Because of rounding, percentages may not add.

Sources: Canada - Statistics Canada
All other countries/total - United States Department of Agriculture

Table XLIV

Imports of Barley into Selected Countries from All Sources
1986-87 to 1995-96 (October-September)[1] (thousand tonnes)

Crop Year	Saudi Arabia	Russian Federation[2]	Japan	China (P.R.C.)	United States	Libya	Uzbekistan[2]	Belarus[2]	Israel	Ukraine[2]	Taiwan	Algeria
1986-87	8 957	n/a	1 185	518	165	479	n/a	n/a	384	n/a	428	38
1987-88	4 899	5 840	1 317	332	269	649	535	230	536	230	328	790
1988-89	4 714	2 070	1 335	256	246	449	700	705	317	1 160	269	535
1989-90	4 149	2 290	1 325	581	226	738	1 060	640	229	550	247	293
1990-91	4 342	3 555	1 508	915	443	725	755	515	410	500	253	71
1991-92	6 873	2 890	1 530	1 009	515	239	500	475	349	435	248	105
1992-93	3 917	1 554	1 663	647	195	603	300	540	571	325	242	352
1993-94	4 497	400	1 719	1 318	2 042	685	150	350	720	-	539	622
1994-95	3 002	584	1 751	1 345	1 125	216	150	300	347	-	306	296
1995-96[3]	2 750	800	1 650	1 400	825	250	100	200	125	-	300	50
10-Year Average	4 810	2 220	1 498	832	605	503	472	439	399	356	316	315

n/a - not available.

1 Excludes malt.

2 Includes FSU intra-trade; 9-year average.

3 Preliminary: Subject to revision.

Source: United States Department of Agriculture

Table XLV

Barley Carryover Stocks in the Major Exporting Countries
Local Marketing Years 1986-87 to 1995-96 (thousand tonnes)

Crop Year	Australia	Canada	EU[1]	United States	Others	Total
1986-87	71	3 157	7 897	7 322	14 844	33 291
1987-88	219	3 794	7 184	6 992	14 695	32 884
1988-89	561	2 790	8 036	4 276	14 798	30 461
1989-90	326	2 056	6 936	3 501	13 121	25 940
1990-91	55	2 646	8 498	2 948	15 021	29 168
1991-92	822	2 614	12 089	2 800	14 146	32 471
1992-93	1 032	3 271	10 862	3 292	13 466	31 923
1993-94	518	3 376	9 210	3 023	16 125	32 252
1994-95	211	1 820	6 404	2 451	15 197	26 083
1995-96[2]	229	1 807	4 795	2 168	8 741	17 740

1 EU-12 member states from 1986-87; unified Germany; EU-15 from 1994-95.

2 Preliminary: Subject to revision.

Sources: Canada - Statistics Canada

All other countries/total - United States Department of Agriculture

Accomplishments

THE CANADIAN WHEAT BOARD (CWB) undertook many new projects in 1995-96 to improve performance and service to customers and farmers. Some of the major accomplishments follow:

- Requested an independent study which determined the CWB has meant an extra $265 million per year for farmers.
- Held a major conference, Moving Up Market, to help farmers identify opportunities to add value to western Canadian wheat and barley.
- Launched a new Euro Commercial Paper Program to take advantage of lower-cost financing and increase our presence in global capital markets.
- Participated in the Western Grain Marketing Panel process in an effort to help shape the future of grain marketing in Canada.
- Released a discussion paper on wheat quality in conjunction with the Canadian Grain Commission.
- Set up 14 crop demonstration plots and held informational tours for farmers.
- Launched a major commercial testing program of AC Karma, a variety in the Canada Prairie Spring White wheat class.
- Set up a 1-800 call centre to answer farmers' questions.
- Started a new column in rural newspapers, called CWB This Week.
- Set up a special delivery program for fusarium-affected wheat.

Members of the Board (1995-96)

Lorne F. Hehn, Chief Commissioner

Richard H. Klassen, Commissioner

Gordon P. Machej, Commissioner

Executive Officers (1995-96)

Adrian C. Measner, Executive Director, Marketing

Brian T. Oleson, Executive Director, Planning and Communications

Donald E. Vernon, Executive Director, Finance and Treasurer

Pat A. Wallace, Executive Director, Human Resources

Margaret D. Redmond, General Counsel and Corporate Secretary

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CWB

The Canadian Wheat Board
La Commission canadienne du blé

INNOVATIVE THINKING

THE CANADIAN WHEAT BOARD 1996-1997 ANNUAL REPORT

LET'S FACE IT.

THIS BUSINESS WE'RE IN IS DEMANDING.
IT IS RELENTLESS.
FROM THE FARMERS' FIELDS TO THE WHEAT BOARD'S OFFICES
WE FACE HIGH EXPECTATIONS FROM NOT ONLY THOSE AROUND US
BUT ALSO FROM OURSELVES.

FOR US, IT'S ABOUT

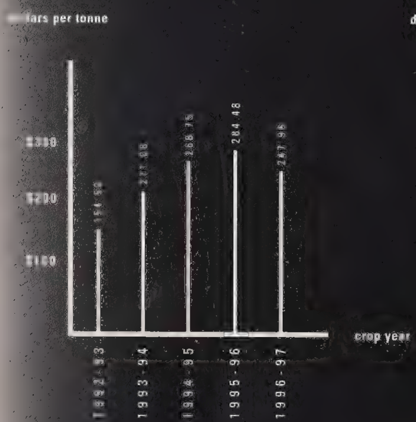
INNOVATIVE THINKING

CWB AVERAGE SALES VALUES

IN STORE VANCOUVER/ST. LAWRENCE

WHEAT

EXPECTATION

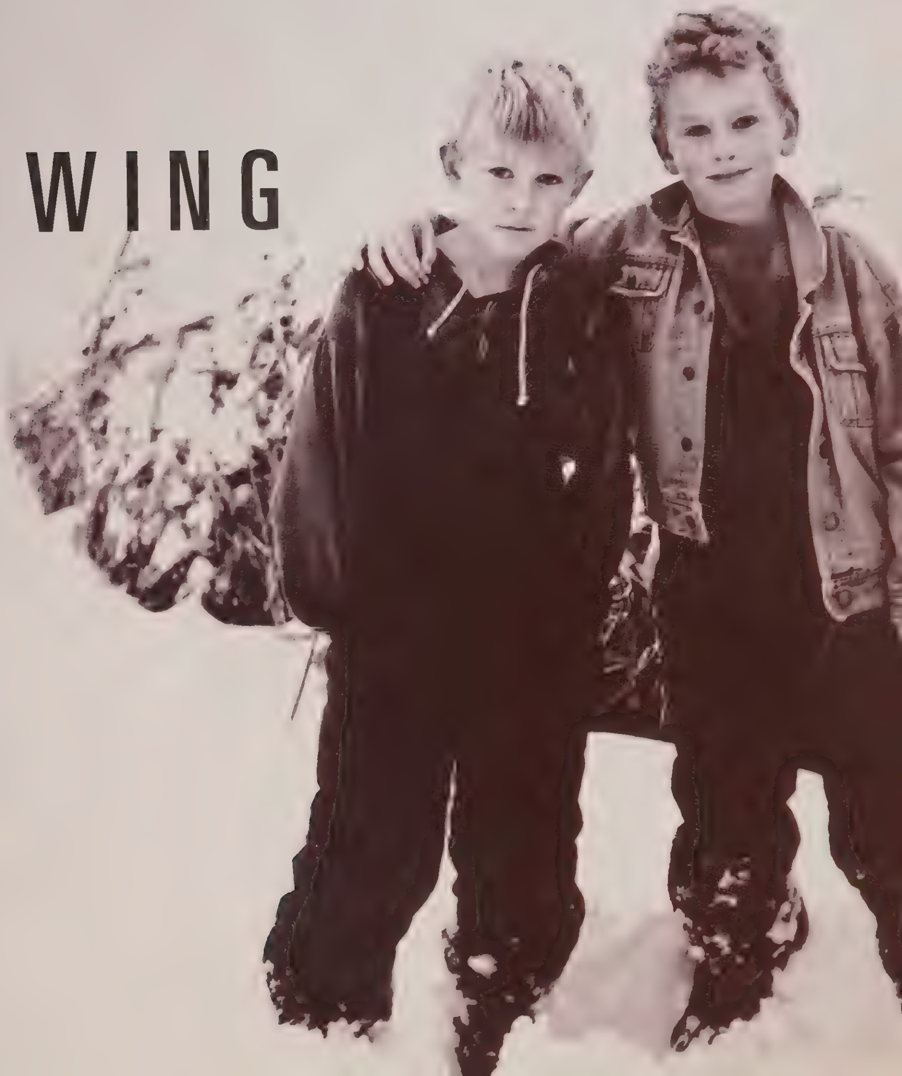


DURUM

BARLEY

DESIGNATED
BARLEY

IS GROWING




INNOVATIVE THINKING
IS DOING MORE

CWB
The Canadian Wheat Board
La Commission canadienne du blé

April 22, 1998

Dear Annual Report Recipient,

I am pleased to enclose the CWB's 1996-97 Annual Report. This report provides highlights of the 1996-97 crop year as well as a full accounting of the operations of the CWB. I trust you will find the report informative and useful.

ne F. Hehn
ef Commissioner
nmissaire en chef

hard H. Klassen
nmissioner
nmissaire

rdon P. Machej
nmissioner
nmissaire

Frequent readers of the CWB's annual report will notice that the Statistical Tables are not included in the 1996-97 report. These tables will be made available in a separate publication. If you would like to receive the Statistical Tables for the 1996-97 crop year, please telephone, fax or write our Corporate Communications Department.

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Ph (204) 983-3421
Fax (204) 983-4678

Yours sincerely,

Chief Commissioner

Encl.
rgy/dlh:bsa
554lfh

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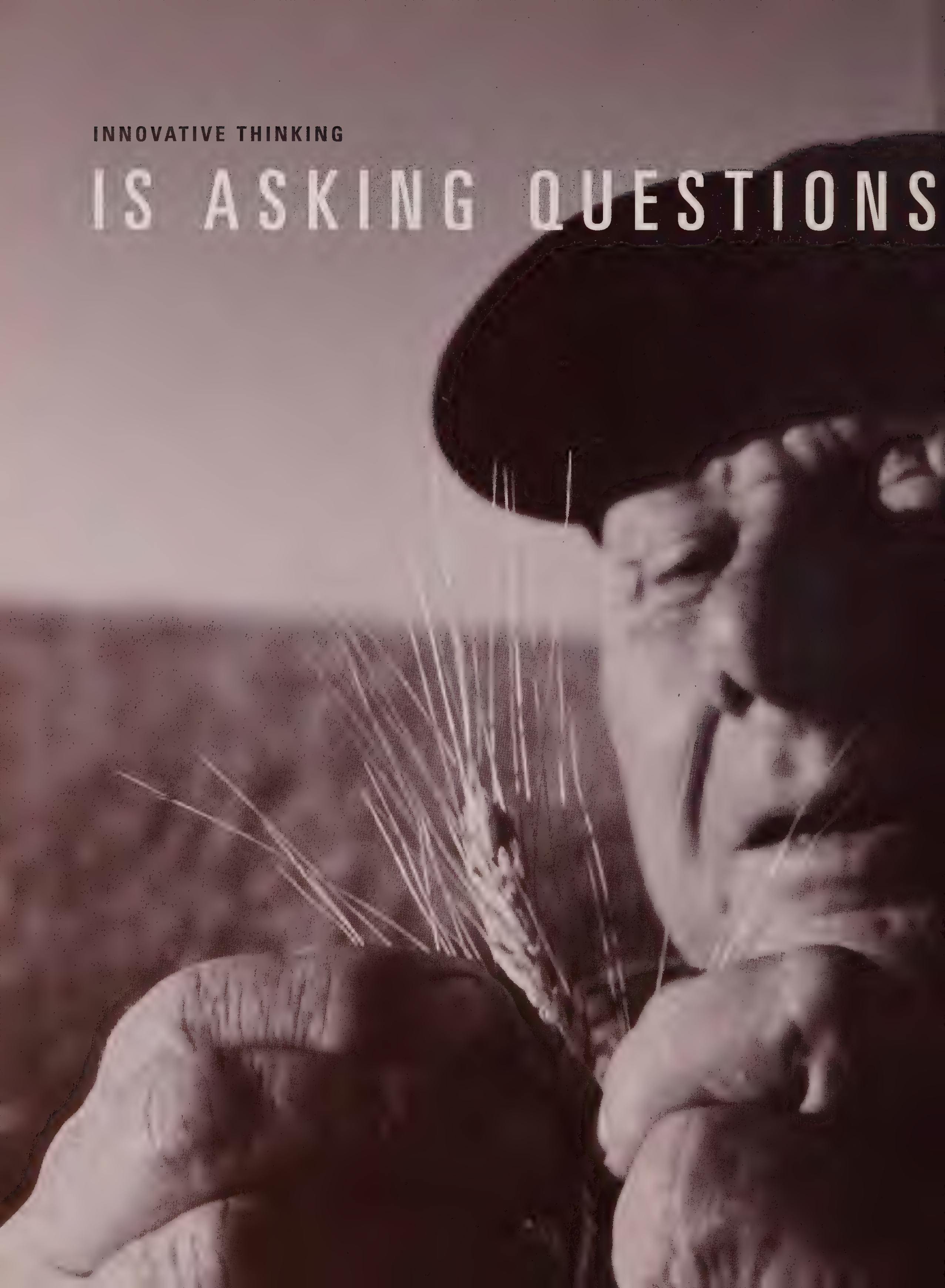
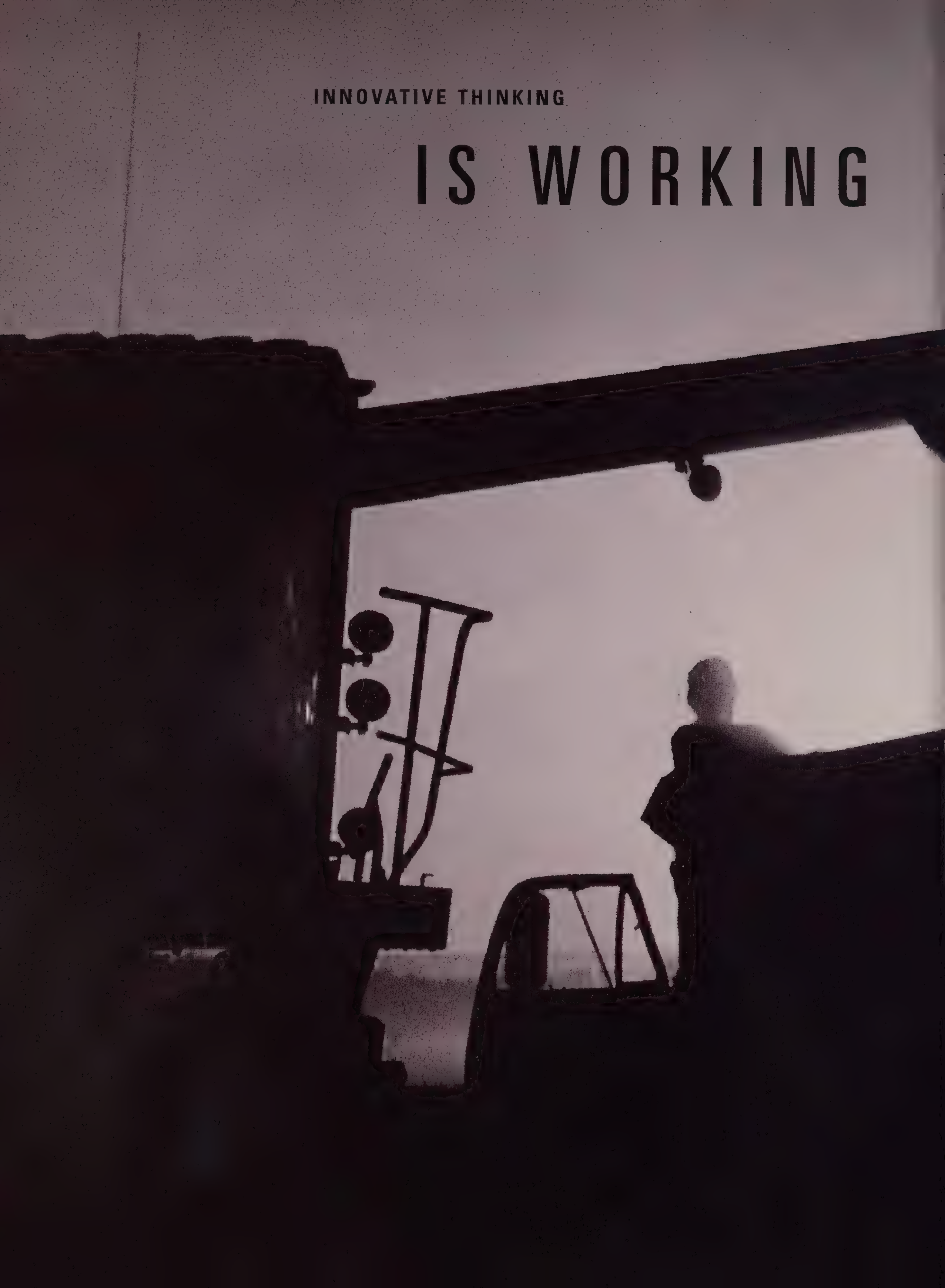
INNOVATIVE THINKING
IS LISTENING


INNOVATIVE THINKING
IS ASKING QUESTIONS


INNOVATIVE THINKING
IS MOVING FORWARD


INNOVATIVE THINKING
IS WORKING

CORPORATE PROFILE

WE WORK FOR FARMERS

As the fifth largest export earner in Canada, the Canadian Wheat Board (CWB) markets wheat and barley on behalf of more than 110,000 Prairie producers to more than 70 countries around the world. The CWB was created out of a simple concept: if farmers join together to sell their grain rather than selling it individually, they will be able to extract more money from the world market.

All of the CWB's sales revenues belong to western Canadian farmers. Therefore, all proceeds from sales each year, less our marketing and administrative costs, are returned to producers. Farmers' marketing strength comes from the fact the CWB stands alone in supplying western Canadian wheat and barley to the world market and the Canadian market for human consumption. As a full-service marketer and sole seller of these grains, we are able to achieve the best possible price, providing excellent value for farmers.

2

A MESSAGE FROM THE

COMMISSIONERS

The grain industry in Canada is undergoing a period of unprecedented change. The consolidation of the grain elevator handling system and the closing of railway branch lines are quite literally changing the Prairie landscape. In addition, farmers are only now starting to feel the full effect of the repeal of the Western Grain Transportation Act, which brought an end to rail subsidies on August 1, 1995. These additional transportation costs are weighing heavily on many farmers, especially those located in the eastern Prairies.

We are listening to farmers. As their costs continue to climb, farmers have told us they need more flexibility in pricing options. They also want their marketing agency to be more accountable. The CWB has conveyed this message to the federal government many times in public hearings and written submissions. Our efforts were rewarded when, in December 1996, the federal government introduced proposed legislation into Parliament to amend the *Canadian Wheat Board Act*. We are confident this proposed legislation will enable us to serve farmers better. Perhaps most importantly, these amendments address the need to give farmers greater control and ownership of their marketing agency through the creation of a new board of directors, the majority of whom will be elected by farmers. This new corporate structure will be a major step in providing farmers the accountability they seek.

The government's proposed legislation also enables the CWB to offer farmers important new tools for managing cash flow over the course of the marketing year. While we remain committed to the principle of price pooling, whereby farmers share in the revenues from sales over the course of the crop year, we recognize that some farmers have more demanding cash flow requirements than others. We want to provide these farmers with some financial flexibility in managing their operations. The provision for early cash-out from the pool, for example, should aid those farmers who are seeking a broader range of payment options.

The proposed legislation strikes a delicate but important balance among the diverse needs of farmers, offering a new degree of flexibility while maintaining fundamental principles such as price pooling, single-desk selling and federal government guarantees. Since the proposed legislation was not proclaimed into law before the federal election in June 1997, the federal government introduced new amending legislation immediately after the Thirty-sixth Parliament began sitting in September 1997.

Barley marketing took centre stage for much of the 1996-97 crop year. In January 1997, the CWB released an independent study conducted by four agricultural economists. The results showed that our position as the sole seller of Canadian barley in the export market is worth on average an additional $72 million per year compared to what would be attainable if there were many sellers. The study, entitled *The CWB and Barley Marketing*, concludes our market share, combined with our ability to price differently to different customers, provides significant advantage in world markets and is directly responsible for the additional revenue.

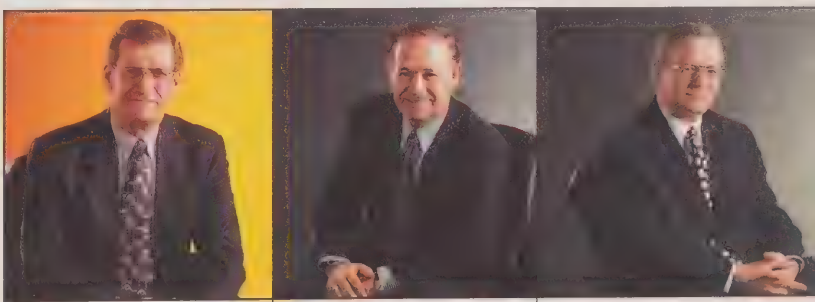
Then, in February 1997, farmers mailed their ballots in the federal government's vote on barley marketing, voting either for the open market option or the single-seller option. Farmers voted to maintain the current single-seller system, with almost 63 per cent of the ballots cast in favor of retaining the CWB's role in barley marketing. The vote demonstrated the CWB system of marketing has solid support from a majority of Prairie farmers.

In 1996-97, we continued to take bold steps that will shape the Canadian grain industry of tomorrow. In an unprecedented move, we brought forward a challenge of the level of service provided by Canada's two largest railways. In the 1996-97 crop year, farmers produced a bountiful

crop – the largest barley crop on record and the fourth largest wheat crop. Yet, grain exports were significantly hampered by the inability of Canadian National and Canadian Pacific Railway to move grain from the Prairie region to eastern and western ports and to U.S. destinations. We estimate we lost one full month's worth of exports in the 1996-97 crop year as a result of the transportation logjam. We believe the broad scope of our business puts us in a unique position to hold Canada's railways accountable and in April 1997 we launched our challenge with the Canadian Transportation Agency (CTA). Although this challenge will be complex, requiring a significant investment of employee time and effort, we believe it is necessary to ensure that farmers receive full value for their freight costs.

Throughout this annual report, we have demonstrated our ability to tackle difficult problems and find creative solutions, from launching the CTA case to moving grain out of flood zones to holding the first annual malting barley quality competition. We fully recognize that our success in meeting challenges head on is the result of the efforts of our dedicated and talented employees. The CWB is a relatively small corporation in terms of the number of employees, yet we are one of the world's most successful exporters of grain, with sales revenues topping a record $6 billion in the 1996-97 crop year.

In the years ahead, the grain industry will face many challenges, including: the federal review of the Canadian grain transportation system that must take place before 1999; the need to develop strategies to market genetically modified crops; the re-shaping of our wheat quality control system; and, the World Trade Organization Agreement on Agriculture to be negotiated in 1999. As we confront each of these challenges, we will take seriously our responsibility to represent the interests of the more than 110,000 western Canadian farmers we serve.



Lorne F. Hehn		GMachej
LORNE HEHN CHIEF COMMISSIONER	RICHARD KLASSEN COMMISSIONER	GORDON MACHEJ COMMISSIONER

3

MEETING NEW CHALLENGES

HEAD ON

We are constantly searching for ways to do things better. By challenging ourselves, we will improve our service to western Canadian farmers and our customers.

AMENDMENTS TO THE CANADIAN WHEAT BOARD ACT

The current generation of farmers is witnessing the total reengineering of the Prairie grain marketing system. In December 1996, after extensive consultations with Prairie farmers and members of the grain industry, Canada's Minister of Agriculture and Agri-Food, the Honourable Ralph Goodale, introduced into Parliament amendments to the *Canadian Wheat Board Act*. Many of the CWB's proposals for change were included in the federal government's amending legislation. Although the process came to a halt with the federal election call in April 1997, the government signalled its commitment to the proposed legislation by introducing Bill C-4 into Parliament on September 25, 1997, the day the first session of the Thirty-sixth Parliament began.

If the amendments to the *Canadian Wheat Board Act* are implemented, the CWB will undergo the most dramatic changes of its 62-year history. The new CWB will have expanded responsibilities and new tools to provide producers with greater flexibility, especially where pricing options are concerned. Perhaps most importantly, these broader responsibilities will be vested in a new board of directors, the majority of whom will be elected by farmers. In proposing this structure, the federal government has recognized that we are and must continue to be a farmers' marketing agency, run by and for western Canadian farmers.

GRAIN TRANSPORTATION

The winter of 1997 will be remembered as the time that more than 40 grain vessels anchored off Canada's West Coast waited their turn to load grain destined for customers in countries such as Japan, Iran and China. From December 1996 to March 1997, the grain needed to fill these vessels reached export position at a pace too slow to keep up with sales commitments.

Concerned with this level of service and the effect it could have on Canada's international reputation as a reliable supplier of grain, we filed a level of services complaint to the Canadian Transportation Agency (CTA) in Ottawa on April 14, 1997. In the complaint, we charged that Canadian National and Canadian Pacific Railway failed to provide

A vessel at berth to load grain.

adequate transportation services for grain movement from the Prairies to eastern and western ports and to U.S. destinations. Our goal in launching the CTA complaint, scheduled to be heard in the spring of 1998, is to preserve Canada's reputation as a reliable supplier of grain by ensuring greater efficiency and improved capacity in rail transportation.

Prairie farmers suffered significant losses due to the railways' inability to meet previously established rail car unload targets. Losses in revenue to the pool accounts, combined with penalties for delayed loading of vessels, resulted in a direct loss to farmers of more than $60 million. We intend to hold the railways accountable for this poor performance.

CHARTER CASE

In October 1993, the Alberta Barley Commission, the Western Barley Growers Association and 21 individual farmers launched a legal challenge against the CWB. In April 1997, the Federal Court ruled the Canadian Wheat Board does not infringe on freedoms set out in the *Canadian Charter of Rights and Freedoms*.

MOVING GRAIN OUT OF FLOOD-PRONE AREAS

With the flood of the century expected to hit southern Manitoba in May 1997, we recognized that grain stored in the Red River Valley was at risk. In February, we participated in public meetings encouraging farmers to move their grain to higher ground. Then, we made provisions for farmers in the Red River Valley and parts of Saskatchewan to deliver the grain they had contracted, regardless of whether or not delivery calls were authorized. As a result, we moved more than 100 000 tonnes of wheat and barley out of the flood-prone area prior to the flood, preventing further hardship for farmers whose properties were completely flooded.

Marlys and Jerry Pearse leave their farm to escape floodwaters near Dominion City, Manitoba.

4 NEW WAYS OF TALKING TO EACH OTHER

When it comes to communicating, there is no better way to do it than face to face. That's why we intensified our efforts to meet with producers, either in the Winnipeg office or closer to their farms.

REACHING OUT TO FARMERS

Our employees made more than 90 presentations over the course of the year, covering almost every corner of the three Prairie provinces. They spoke at grain marketing clubs and industry conferences and made presentations to delegates from grain cooperatives and grain companies. From grain transportation to delivery policy, we covered it all.

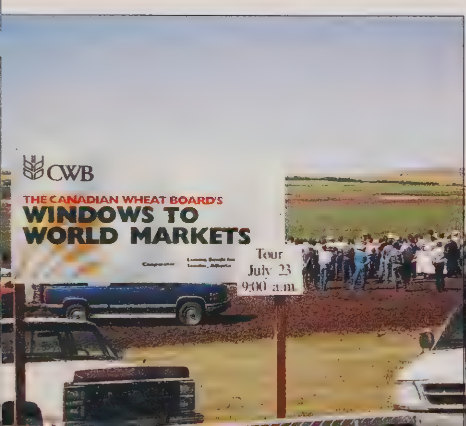
We also met with farmers in casual settings, hosting a series of four dinner meetings. Each of the meetings included a speaker from the CWB and time for questions. Our original goal of 100 participants at each meeting was nearly doubled. The social evenings drew a total of 424 people to the two dinners in Saskatchewan and another 459 to the two in Alberta.

Over the course of the year, we participated in 17 rural trade shows, meeting with thousands of farmers who stopped by our booth. For the first time, we also tackled an urban trade show, in an effort to explain the important role farmers play in the lives of all Canadians. Given the positive feedback from our booth at *Taste of Manitoba* in Winnipeg, we are planning to expand our participation in urban trade fairs.

The *Windows to World Markets* crop plots allow our staff to meet with farmers right in the fields. We originally hoped for eight to 10 crop plots, but thanks to strong interest and good growing conditions, 13 sites were seeded, cared for and put on display at crop demonstration field days. More than 1,000 people took in the 13 field days.

The objective of the *Windows to World Markets* program is to explain customers' quality requirements, as well as to update farmers on our sales and market development efforts. The *Windows to World Markets* field day near Headingley, Manitoba was the exception, as its main objective was to reach the urban population. Located on the Trans-Canada Highway near Winnipeg, the site was hard to miss, marked by a row of 50 flags of some of the countries that purchase Canadian wheat and barley. Following the success of the Headingley crop plot, another urban plot is being considered near Regina, Saskatchewan.

As part of our ongoing efforts to communicate directly with farmers, we held 29 *Grain Day* meetings across the Prairies. A total of 1,827 farmers came to these meetings in 1996-97 compared to 1,153 in 1995-96.



left: A crowd gathers at the CWB's *Windows to World Markets* field day near Trochu, Alberta.

right: *Go with the Grain* participants gather at the Forks in Winnipeg in the summer of 1997. Shown are: (l to r) Richard Mead, Dave Anderson (second row), Edith Mead, Carola Anderson (second row), Vi Dewar, Jeanette Biberdorf, Gerald Biberdorf and the CWB's Tracey Bryksa.

As a new initiative, we published a newsletter specifically designed for barley growers. *Go Malting!* was first published in December 1996, in consultation with a malting barley industry group. The aim of the publication is to keep farmers aware of grain delivery, marketing and processing issues related to malting barley.

In order to provide farmers and elevator staff with information that is clear and simple to use, we revised several of our major policy guides, including the *Farmer's Grain Delivery Guide* and the *Elevator Manager's Guide*, which is now called the *Country Elevator Guide*. Our goal is to make all of our material more user friendly. We will continue to expand our efforts to ensure that all CWB publications conform with the principles of plain language writing.

FARMERS VISIT THE CWB

While many farmers attended CWB events in their communities, others decided to see the organization for themselves. A total of 1,553 people toured the CWB during the 1996-97 crop year.

We took a more pro-active role in bringing people into our Winnipeg headquarters with a new series of tours called *Go with the Grain*. Six groups of farmers came to Winnipeg for three days to tour the CWB, the Winnipeg Commodity Exchange, the Cereal Research Centre, the Canadian Grain Commission and the Canadian International Grains Institute. We continue to promote these tours as a way for farmers to learn more about different facets of the grain industry in Western Canada.

Farmers who were unable to visit the CWB's Winnipeg office in person made good use of our toll-free telephone service. Our 1-800 call centre received substantially more calls in its second year of operation as farmers became more aware of this service. The toll-free line, 1-800-ASK-4CWB (1-800-275-4292), received 165,000 calls in the 1996-97 crop year, up from 122,000 the year before. Staff at the call centre also telephoned many farmers to give them timely information about grain delivery contracts.

INTERNET LIFT-OFF

In January 1997, the CWB officially launched its web site at www.cwb.ca. We had nearly 25,000 visitors in less than six months, surpassing all of our expectations. Farmers tell us they make return visits to our web site to keep track of initial payments, Pool Return Outlooks and delivery calls. Other farmers use the Internet for two-way communication. We receive about 20 e-mails each week from farmers making suggestions or asking questions related to grain marketing.

With increased services and growing interest in the Internet, we expect more than 100,000 visitors to come to our site in the upcoming crop year.

Go Malting!, a newsletter for barley growers, is published in cooperation with members of the Canadian malting barley industry.

5

STRONG PARTNERSHIPS AND

NEW OPPORTUNITIES

Successes in the Canadian grain industry come from working together. Just as the air seeder needs the tractor, the CWB cannot work without strong, productive relationships with industry partners.

STIMULATING VALUE-ADDED PROCESSING

The repeal of the Western Grain Transportation Act in 1995 created tremendous interest in value-added processing in Western Canada. Prairie farmers began actively looking for ways to avoid high freight costs and process their grains closer to home.

In 1996-97, we continued our efforts to create a positive environment for investment in cereal processing by holding one-day workshops in Dauphin and Portage la Prairie, Manitoba on value-added opportunities for producers. The workshops were sponsored in part by Manitoba Agriculture and were a mini-version of the CWB's first *Moving Up Market* conference, held in Saskatoon, Saskatchewan, in June 1996. Building on the success of the first value-added conference, we planned the second annual *Moving Up Market* conference for 1997-98 in Calgary, Alberta.

Value-added processing of wheat and barley encompasses milling, malting, baking and the transformation of these grains into nutraceuticals and other industrial products.

PRO-ACTIVE ON PROTEIN

Our customers pay premiums for wheat based on protein content. When high protein wheat is in short supply, the premiums may be large. Conversely, when supplies of high protein wheat are widely available, premiums shrink. Farmers can often influence the protein content of their wheat through effective crop management. The challenge for western Canadian farmers is to make effective soil fertility management decisions when the protein premiums are not known for the coming year. This is where the Prairie Protein Action Committee comes in.

The committee was formed in 1997 with the goal of providing farmers as much information as possible to help them evaluate the relative value of protein. It is made up of members representing a wide spectrum of the grain industry: plant breeders, soil and cereal scientists, fertilizer industry representatives and provincial agriculture extension specialists.

A wide variety of value-added products can be made from Canadian wheat.

The committee is also working to identify and monitor research relating to management of protein quality and quantity. As part of this work, a Wheat Protein Symposium is being held in 1998 in Saskatoon, Saskatchewan.

FAIR VALUE FOR GRAIN

When farmers deliver their grain, we want to pay them as accurately as possible for their product. We worked closely with the Western Grain Elevator Association in the 1996-97 crop year to prepare for paying farmers for the relative value of each one-tenth of a percentage increase in protein. We are also investigating paying farmers for grain on a dry matter basis.

PREPARING FOR A NEW CASH ADVANCE PROGRAM

The federal government implemented a new cash advance program under the *Agricultural Marketing Programs Act* at the beginning of the 1997-98 crop year. The CWB administers wheat and barley cash advances on behalf of the federal government. To assist with the transition from one program to another, we held 40 meetings with elevator managers, their employees and grain company head office staff. We not only explained policies and procedures, but also received important feedback that helped us develop cash advance application forms and policies.

SEARCHING FOR QUALITY MALTING BARLEY

The search was on for the best malting barley growers in 1996-97. As a member of the Barley Development Council, the CWB was pleased to be a major sponsor of the first annual *Malting Barley Quality Competition*, designed to broaden awareness of the quality factors that make barley suitable for malting.

As growers submitted samples of their malting barley to selectors, the selecting company automatically entered them in the competition. An independent panel of judges, including grain company selectors and malting barley breeders, chose the best two-row and six-row samples submitted from regional crop districts.

Provincial winners were invited to participate in customer visits. The CWB took the winners in the two-row category to China where they toured malt houses and breweries and met with buyers. Six-row winners were taken on a tour of three U.S. cities by trip sponsors XCAN Grain, Cargill and UGG. They met with representatives of Anheuser-Busch, Miller Brewing Company and Cargill's Ladish Malting Co. and toured the Minneapolis Grain Exchange.

The winners of the *Malting Barley Quality Competition*, two-row category, travelled to China to meet with buyers of western Canadian malting barley. Shown at the Great Wall of China are: (l to r) Michael Brophy, CWB; Eldon Brick from Netherhill, Saskatchewan; James Stanger from Drumheller, Alberta; Fred Barteaux from Birtle, Manitoba; Lorna Brick; Eileen Stanger; Paul Westdal, Canadian International Grains Institute; and Shirley Barteaux.

FINDING DIFFERENT ROUTES TO MOVE GRAIN

The transportation crisis in 1996-97 spurred the CWB to look at alternative routes to move grain. Over 100 000 tonnes of grain were moved through the U.S. for non-U.S. destinations. This included a shipment through the Pacific Northwest (PNW) from Portland, Oregon.

In February 1996, 23 000 tonnes of milling wheat were loaded into Burlington Northern rail cars out of AgPro Grain facilities in Winnipeg, where the grain had been pre-cleaned. The grain was then railed directly to Portland and loaded on a vessel bound for the Philippines.

Rail freight rates to the PNW are about $20 per tonne higher than rates for comparable movement in Canada. But, given the major problems the industry faced in exporting grain out of the West Coast in the early months of 1997, we were able to work with the industry to make this sale viable, putting additional sales on the books in a premium-priced period.

For the second time in two years, we also worked with farmers, accredited exporters and the Canadian Grain Commission to send shipments by rail to Mexico and through the Gulf of Mexico to destinations in Latin America.

USING RESOURCES WISELY

Our association with the federal government provides a valuable service for farmers. All borrowings and credit sales are fully guaranteed by the Government of Canada. We use this federal government guarantee to earn farmers money every year and in the 1996-97 crop year, our interest earnings were nearly double the CWB's $47 million administration costs.

Grain is loaded in Winnipeg and railed through the U.S. to Portland, Oregon for loading onto a vessel destined for the Philippines.

6

BUILDING

STRONG MARKETS

We work with long-time customers and new markets, promoting Prairie-grown wheat and barley at home and around the world.

VENTURING INTO VIETNAM

Vietnam is a growth market for Canadian wheat. The Asian country is shifting from a flour-based market to a grain-based market. By the year 2000, overall wheat imports could increase to as much as 300 000 to 400 000 tonnes per year, from current imports of less than 100 000 tonnes.

In March 1997, the CWB led a market development mission to Vietnam to encourage millers to buy top-quality Canadian wheat. The mission was followed up by a seminar in June 1997 to demonstrate the end uses of Canadian wheat classes. In the fall of 1997, the CWB sold wheat to a new flour mill in Vietnam. This sale represented the first-ever shipment of wheat to the new mill.

THAILAND'S COMMITMENT TO CANADIAN WHEAT

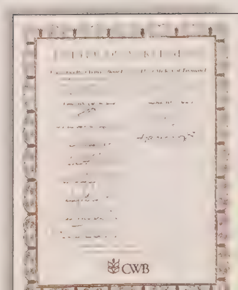
Since 1973, we have sent 25 marketing missions to Thailand, working to build strong relationships and promoting the use of Canadian wheat. This work paid off again in January 1997, when the CWB and seven flour millers in Thailand signed a Letter of Agreement aiming to surpass one million tonnes of Canadian wheat imports over the next five years. Commissioner Gordon Machej signed the agreement during the Team Canada trade mission to Asia, in the presence of Prime Minister Jean Chrétien and the Prime Minister of Thailand, Chavalit Yongchaiyudh.

MISSION TO THE UNITED ARAB EMIRATES

In March 1997, the CWB participated in a two-week investigative mission to the United Arab Emirates. Together with representatives from the Canadian Grain Commission and the Canadian International Grains Institute, we met with Arab millers and bakers to investigate market potential. The CWB had not ventured into this market since before the Gulf War, which began in early 1991. Within two months of the mission, we sold wheat to the United Arab Emirates, marking the first shipment of Canadian wheat to this country since 1989. Since then, we have continued to make regular wheat sales to the United Arab Emirates.

: A copy of the CWB Letter of Agreement with seven flour millers in Thailand.

t: The Canadian delegation stops for dinner in the desert on a tour hosted the Gulf Import and Export Co. in the United Arab Emirates. The Canadian team (kneeling) from l to r: Earl Geddes, CWB Program Manager, Market evelopment; Ramzy Yelda, CWB Marketing Manager, Middle East; Dr. Phil Williams, Program Manager at the Canadian Grain Commission's Grain earch Laboratory; and Ashok Sarkar, Head, Milling Technology, Canadian International Grains Institute.



7

TODAY'S PERFORMANCE IS

TOMORROW'S SUCCESS

We are working not only for the present, but also for the next generation of farmers.

WORKING TOWARDS 2000

The CWB is a leader among Canadian businesses in dealing with the Year 2000 problem. We were one of the first organizations in Canada to respond to the inability of some computer programs to recognize dates beyond December 31, 1999. We began work to correct the problem in 1995, pioneering some techniques that are now in use outside the CWB.

Our strategy has been to repair some applications and replace others. Careful consideration has gone into determining which programs are worth rewriting and which ones should be replaced. We rely on computer software to record grain inventories, producer payments and grain sales, so we have put significant resources into modifying our computer infrastructure.

Suzanne Sawchuk, one of the CWB's receptionists.

IMPROVING OUR FINANCIAL REPORTING SYSTEMS

We have started a corporate-wide initiative to replace and re-engineer our financial reporting systems to better provide managers with the information they need to make decisions quickly and accurately. For example, we will be able to monitor grain inventory more closely as it moves from the country elevator system right through to export position, allowing us to provide better service to our customers. In addition, improved cash management systems for tracking payables and receivables will provide managers with up-to-the-minute information on demand.

SUPPORTING OUR PEOPLE

The key factor in developing and delivering the benefits promised by modern technology is people. We recognize that change in technology places new demands on employees and the roles they are expected to play. In 1996-97, we established a Change Management function within our Human Resources Department, in order to match employee skills with the changing requirements of the corporation. Our goal is to train existing employees for new roles, thereby retaining the benefits of their in-depth knowledge of the CWB.

We recognize that change in the workplace can be stressful and we want to provide our employees with as much support and information as possible. We are in the process of implementing a human resource information system, which includes reviewing all human resource activities at the CWB. In 1996-97, we conducted a pilot project to provide employees with personal information on their salaries and benefits through their computer workstations. We are targeting the 1997-98 crop year to provide all employees and management with better human resource tools, including improved access to personal information, training and information to assist in career planning.

The CWB had 491 permanent employees as of July 31, 1997. We expect our employees to maintain a

high standard of performance and in 1996-97 our compensation policies were revised to reflect that. Our policies, geared towards performance, are aimed at retaining superior staff in a highly competitive industry.

SENIOR STAFF CHANGES

There were several senior staff changes during the 1996-97 crop year. Ward Weisensel was appointed Head, Corporate Policy, in September 1996, replacing Dr. Harvey Brooks, who had resigned from that position in August 1996. Cecil Wright, General Director of Information Technology, resigned May 31, 1997. Greg Hauser, on contract to the CWB, assumed Mr. Wright's role. Gordon Bacon, Director of Market Development, resigned in August 1997. Gordon Flaten will be taking over this position in the 1997-98 crop year. Keith McMahon was appointed Corporate Controller in January 1996.

In addition, in January 1998, Dr. Brian Oleson, Executive Director, Planning and Communications, was seconded to fill the new position of Agribusiness Chair in Cooperatives and Group Marketing at the University of Manitoba until December 2000.

WHEAT QUALITY ASSURANCE

The CWB is working with the Canadian Grain Commission (CGC) to propose changes to Canada's wheat quality assurance system. These changes will increase Canada's competitive advantage in world grain markets and will benefit producers and international customers.

Some customers are starting to demand more specific quality requirements. New, more precise methods of testing quality are being developed and the cost of this testing equipment is getting less expensive. Through new scientific methods, plant breeders are better able to develop new varieties which offer higher yields, better control of diseases or shorter days to crop maturity. In this dynamic environment, our current system of wheat quality is becoming more confining.

During the 1996-97 crop year, the CWB and CGC met with farmer focus groups across the Prairies and with representatives from grain companies, industry associations, universities and government agencies. The consensus from these meetings is that our quality assurance system has worked well, but could restrict Canada's marketing options in the future. Participants cautioned against changing the system too rapidly and requested more information on how proposed changes would affect the system.

Following the consultations, action plans were developed by the CWB and the CGC and distributed to grain industry participants for comment. These plans form a blueprint on how the industry will pursue changes to its wheat quality assurance system in the future.

Dr. Fred Townley-Smith, a wheat breeder at Agriculture and Agri-Food Canada's Cereal Research Centre in Winnipeg, checks a test plot of wheat.

8 CROP YEAR IN REVIEW

CWB HITS NEW RECORD IN TOTAL SALES

A combination of higher-than-average prices and increased production of wheat and barley in Western Canada led the CWB to its highest sales values on record. Sales values from the four pool accounts – wheat, durum, barley and designated barley – from sales to domestic and export markets reached $6.1 billion in 1996-97, surpassing the 1995-96 record of $5.8 billion.

This sales performance continues to solidify the CWB's position among the top ten Canadian exporters. Only the three major car manufacturers (General Motors of Canada Ltd., Chrysler Canada Ltd. and Ford Motor Co. of Canada Ltd.) and IBM Canada Ltd. generate more sales revenue from exports than the CWB. (Top 50 exporters. *The Globe and Mail Report on Business Magazine*, July 1997).

While the organization posted record sales values, this did not translate into record profits for farmers. In addition to rising input costs, farmers paid a freight and handling bill of over $1 billion. These costs have increased substantially in the last few years.

Prices for wheat, durum and barley were generally strong throughout 1996-97 but had fallen sharply from the 1995-96 record as world wheat and coarse grain supplies rebounded. All major wheat exporters – the United States, Canada, the European Union (EU), Australia and Argentina – increased wheat acreage in an effort to replenish low stocks. World wheat production reached 583 million tonnes in 1996-97, up 46 million tonnes from 1995-96. Coarse grain production increased 103 million tonnes to 905 million tonnes in 1996-97. As a result, the average sales values per tonne for all four pool accounts fell in 1996-97 compared to the previous year.

A LESS-THAN-PERFECT GROWING SEASON

Wheat and barley seeding got off to a slow start in the spring of 1996. Flooding in the Red River Valley and the Regina plains, as well as above average spring rainfall through the northern Prairies in early May, delayed seeding. Generally cool temperatures throughout June and July kept plant development behind normal and increased concerns about the possibility of frost damage. The month of August, however, was hot and dry across most of the Prairies, with the exception of the Peace River area and parts of northeastern Saskatchewan, accelerating plant development and maturation.

Joachim Hengerer farms with a clear view of the mountains near Pincher Creek, Alberta.

Harvesting started in late August, but was halted the second week of September, at approximately 75 per cent complete, by frost in the northwestern Prairies. Cool, drizzly weather set in which delayed harvest through the remainder of September.

A snowstorm at the end of September affected most of Western Canada but was heaviest in the southern half of the Prairies. Quality of wheat and barley harvested after this storm was considerably poorer than the earlier harvest. Winter weather by the end of October left about five to six per cent of wheat and barley still unharvested.

Despite the slow start to seeding and the poor harvest weather, production of the six major grains in Western Canada reached a record 54 million tonnes. The increase in production was due to a combination of declining summer fallow and an acreage shift from oilseeds to higher-yielding cereal crops.

With a massive volume of grain and oilseeds produced on the Prairies in the summer of 1996, the transportation system was challenged to move these grains to market on time. During the winter months, both Canadian National and Canadian Pacific Railway had difficulties meeting unload targets for wheat and barley previously established with the industry. As a result, the CWB's sales program and farmers' delivery opportunities were affected. The CWB scaled back each of its four contract series on certain grains and grades, initially in response to the large volumes of grain produced, and later due to slipping rail performance.

The CWB issued a special contract series, Series U, in the spring of 1997 for farmers with unthreshed grain. The CWB also continued to accept grain deliveries for the 1996-97 crop year at congested delivery points, after the official close of the year.

AN EVER-CHANGING MARKETPLACE

The Canadian wheat and malting barley industries were the single largest market for western Canadian grain in 1996-97. Sales of non-durum wheat to the domestic milling market were 2.25 million tonnes, up 200 000 tonnes from 1995-96. Deliveries of malting barley to domestic maltsters for production of domestic and export malt hit 1.2 million tonnes, the same as in 1995-96.

On the export front, Iran topped the list as the largest export customer for milling wheat for the first time in the CWB's history. Iran, importing 2.03 million tonnes, replaced China as the largest volume export buyer.

Harvest nears completion on the Emerson Trail near Sexsmith, Alberta.

Iran also figured prominently in Canada's export sales of durum wheat as a result of the CWB negotiating the world's first-ever commercial export sale of durum to Iran. The sale of over 600 000 tonnes put Iran second behind Algeria in the volume ranking. Sales to Algeria topped 1.2 million tonnes in 1996-97.

In feed barley marketing, Saudi Arabia was again Canada's largest volume customer in the export market followed by Japan and Iran. For malting barley, the largest volume export customer was the U.S. China was second.

ANALYSIS OF WHEAT POOL ACCOUNT

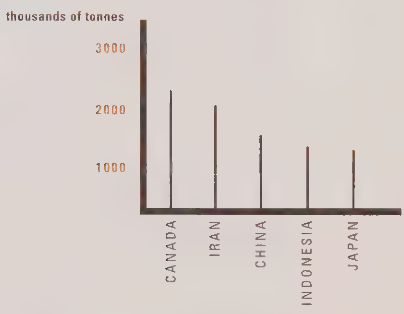
Western Canadian non-durum wheat production totalled 25 million tonnes in 1996, up sharply from last year's 18.8 million tonnes. Seeded acreage devoted to wheat increased nearly 10 per cent over 1995-96, while flax and canola acreage slipped by 32 and 33 per cent respectively.

The poor harvest weather affected the overall grade pattern of the 1996 crop. Of the 20.5 million tonnes of Canada Western Red Spring (CWRS) wheat produced in 1996, less than one-third made the No. 1 grade. Seventeen per cent of the CWRS wheat grown graded feed wheat quality. Protein content, measured by the Canadian Grain Commission using Combustion Nitrogen Analysis (CNA) after August 1, 1996 (as opposed to the former Kjeldahl method) was generally similar or slightly lower in 1996 than 1995. The mean protein of No. 1 CWRS in 1996 was 13.1 per cent .

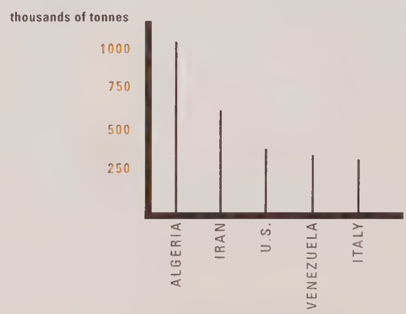
The CWB posted a record total sales value of $4.23 billion on receipts of 19.8 million tonnes. This resulted in the third highest average sales value per tonne on record at $214.15 in store Vancouver/St. Lawrence.

Operating costs on the wheat pool were up $42 million from the year before. Demurrage, net of despatch earnings, was $18.7 million in 1996-97, nearly double last year's figure. This was due to the severe rail transportation problems. Country elevator carrying charges were marginally higher overall, but they represented a lower cost per tonne because interest rates and the value of the product being financed were generally lower than the year before. Terminal storage costs were higher because of larger inventories and longer storage periods. Additional freight to terminals increased because more grain was moved from areas outside the traditional catchment areas. Additional freight costs were lower, reflecting a smaller freight rate increase of 1.7 per cent in 1996-97 compared to 6.5 per cent in 1995-96. Drying costs increased by over $13.5 million dollars, reflecting

LARGEST VOLUME CUSTOMER COUNTRIES



WHEAT
(excluding durum)



DURUM

the large amounts of tough and damp grain delivered by farmers. CWB administration expenses charged to the wheat pool account increased about $5 million due to wheat accounting for a greater percentage of total deliveries to the CWB and therefore incurring a greater percentage of administration expenses. Administrative expenses were $1.70 per tonne or 4.6 cents per bushel. (Total administration costs across all four pool accounts rose because of increased expenditures on computer equipment, recruitment and legal fees, as well as increased depreciation.) Interest earnings on the wheat pool account amounted to more than $65 million this year.

ANALYSIS OF DURUM POOL ACCOUNT

Western Canadian durum wheat production slipped to 4.63 million tonnes in 1996. The grade pattern was marginally better than the previous year. Fifty per cent of the crop fell in the top two grades, compared to 44 per cent last year.

The protein in the top three grades of Canada Western Amber Durum (CWAD) was higher than 1995, but still below average. Mean protein for No. 1 CWAD was 12.8 per cent. The average sales value of the durum pool was $247.96 per tonne in store Vancouver/St. Lawrence, the third highest on record. Receipts from producers were slightly lower than 1995-96, at 3.9 million tonnes.

Costs to the pool account decreased by approximately $6 million in 1996-97 compared to the year before. Country elevator carrying charges were $2.4 million lower due to lower interest rates and a lower per-tonne value of the product. Terminal storage costs were also lower due to relatively good export movement of durum through the East Coast ports. The CWB incurred demurrage of $1.3 million (net of despatch earnings) due to the transportation problems. Additional freight to terminals decreased as most of the durum was moved from traditional catchment areas. Drying costs were substantially higher than 1995-96 costs, at $2.1 million compared to $78,000, due to larger amounts of tough and damp grain delivered to the CWB. Administrative expenses were almost $2 million lower than in 1995-96 because durum wheat accounted for a lower percentage of the total receipts to the CWB and, therefore, absorbed a lower percentage of the total expenses.

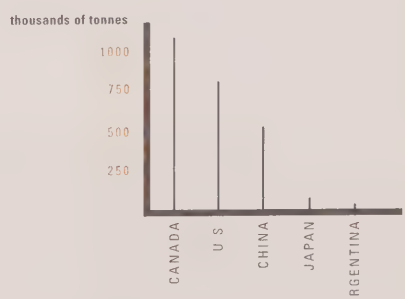
ANALYSIS OF BARLEY POOL ACCOUNT

Western Canadian barley production hit a record 15 million tonnes as farmers reacted to high barley prices for both feed and malt in 1995-96. The record production was 21 per cent more than 1995 and 30 per cent higher than the 10-year average.

Receipts from producers to the barley pool account nearly doubled from 1995-96 to reach 2.4 million tonnes in 1996-97. The average sales value per tonne dropped to $158.18 in store Vancouver/St. Lawrence from the record $210.30 per tonne in 1995-96.

LARGEST VOLUME CUSTOMER COUNTRIES

FEED BARLEY



DESIGNATED BARLEY

Feed barley returns were strongly affected by aggressive export intervention on the part of the EU. As early as September 1996, the EU began subsidizing barley sales at a rate of approximately Cdn $1 per bushel.

Costs to the barley pool were substantially higher than 1995-96. Total costs were $18.3 million compared to $3.4 million the year before. Country elevator carrying charges more than doubled, reflecting the doubling of the pool size. The larger pool size also influenced terminal storage costs. Demurrage charges increased to $4.1 million from $283,000 due to transportation problems. Additional freight to terminals increased as more grain was moved from areas outside the traditional catchment areas. Drying costs dramatically increased to $3.5 million from only $13,000 in 1995-96. Again, as with other pool accounts, this reflected the large amounts of tough and damp grain delivered by farmers. More administrative expenses were assessed to the barley pool because it accounted for a higher proportion of total deliveries to the CWB.

ANALYSIS OF DESIGNATED BARLEY POOL ACCOUNT

Designated barley refers to barley selected and accepted from producers for use in malting, pot or pearling, although most of the designated barley is used for malting. Despite the wet weather in early September, adequate amounts of designated barley with excellent quality were produced in 1996.

Receipts from producers were 2.4 million tonnes, slightly lower than the record-breaking volumes of the past two years. The average sales value also fell to $221.01 per tonne in store Vancouver/St. Lawrence, compared to $243.20 per tonne the year previous.

Overall costs to the pool were higher in 1996-97 at $2.3 million from $1.2 million the year before. Country elevator carrying charges were higher due to grain companies paying more farmers in full at the time of delivery (as opposed to the consigned carlot system). In this way, the CWB paid storage and interest to the country elevator companies for the time that the grain was stored and financed by them. Primarily as a result of the transportation problems, the CWB incurred demurrage of $219,000 in 1996-97 compared to despatch of almost $7,000 in 1995-96. The CWB also paid additional freight to terminals for a special shipment of hulless barley which was sold to Japan for the food market. Interest earnings were lower because more money was paid out to farmers earlier in the crop year, leaving minimal sums in the pool on which interest could be earned.

CWB DISTRIBUTION OF SALES PROCEEDS
(ALL GRAINS)

FINANCIAL RESULTS

CWB

INDEX TO FINANCIAL STATEMENTS
July 31, 1997

MANAGEMENT REPORT

CWB
The Canadian Wheat Board
La Commission canadienne du blé

The financial statements of the Canadian Wheat Board together with other information contained in this annual report have been prepared by management, who have full responsibility for them, and approved by the Board. These statements reflect the results for the year ended July 31, 1997 and the financial status of the CWB as at that date.

Management's responsibility includes ensuring that the financial statements are prepared in accordance with generally accepted accounting principles appropriate in the circumstances and consistently applied, and that appropriate systems of internal controls and formal policies and procedures are in place to ensure the integrity and reliability of accounting and financial reporting, as well as the safety of all of the organization's assets.

Deloitte & Touche, Chartered Accountants, the CWB's external auditors, have performed an independent examination of the financial statements in this report. Management has made available to the external auditors all financial records and related data.

The Canadian Wheat Board is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Commissioners, along with the Chairman of the CWB Advisory Committee, act as an Audit Committee in exercising this responsibility. The committee meets with the external auditors to discuss the results of the audit and the evaluation of the CWB's internal controls. The Internal Audit Department, reporting directly to the Audit Committee, has a mandate to provide timely recommendations and assessments concerning the effectiveness of internal controls. The committee reviews the action taken by management with respect to the recommendations made by the internal and external auditors.

D.E. Vernon

Donald E. Vernon, C.A.
Executive Director, Finance and Treasurer

Adrian Measner

Adrian Measner
Executive Director, Marketing

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AUDITORS' REPORT

Deloitte & Touche

Deloitte & Touche
Chartered Accountants

360 Main Street, Suite 2200
Winnipeg, Manitoba R3C 3Z3

Telephone: (204) 942-0051
Telecopier: (204) 947-9390

To the Canadian Wheat Board:

We have audited the financial statements of the Canadian Wheat Board set out as Exhibits I to IX and notes thereto which include the balance sheet at July 31, 1997 and the statements of operations and distribution of earnings to producers for the 1996-97 pool accounts for wheat, amber durum wheat, barley and designated barley for the period August 1, 1996 to completion of operations on September 30, 1997, the statement of cash flow for the year ended July 31, 1997, the statement of advance payments to producers under the Prairie Grain Advance Payments Act as at July 31, 1997, the statement of administrative and general expenses and allocations to operations for the year ended July 31, 1997, and the statement of special account transactions for the year ended July 31, 1997. These financial statements are the responsibility of the Canadian Wheat Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Canadian Wheat Board as at July 31, 1997 and the results of its operations and the changes in its financial position for the periods shown in accordance with generally accepted accounting principles.

Deloitte + Touche

Deloitte & Touche

Winnipeg, Manitoba
December 18, 1997

Deloitte Touche
Tohmatsu
International

EXHIBIT I

BALANCE SHEET
as at July 31

	1997	1996
ASSETS		
Accounts Receivable		
Credit sales (Note 3)	**$ 6,418,291,510**	$ 6,653,277,799
Completed sales	**66,184,064**	25,669,295
Prairie Grain Advance Payments Act	**161,575,235**	52,651,783
Other	**5,907,272**	21,433,734
	6,651,958,081	6,753,032,611
Stocks of grain (Note 4)	**1,682,137,024**	1,432,610,530
Deferred and prepaid expenses (Note 5)	**38,127,819**	51,440,276
Fixed assets (Note 6)	**52,724,986**	44,162,927
TOTAL ASSETS	**$ 8,424,947,910**	$ 8,281,246,344
LIABILITIES		
Borrowings (Note 7)	**$ 6,240,754,143**	$ 6,459,297,949
Accounts payable and accrued expenses (Note 8)	**105,772,615**	107,957,005
Liability to agents of the CWB (Note 9)	**1,364,322,369**	1,159,716,160
Liability to Producers (Note 10)	**703,327,514**	545,233,825
Provision for final payment expenses (Note 11)	**8,108,840**	5,805,860
Special Account — net balance of undistributed payment accounts (Note 12)	**2,662,429**	3,235,545
TOTAL LIABILITIES	**$ 8,424,947,910**	$ 8,281,246,344

APPROVED

Lorne F. Hehn
Chief Commissioner

Richard H. Klassen
Commissioner

Gordon P. Machej
Commissioner

Donald E. Vernon
Executive Director, Finance and Treasurer

EXHIBIT II

1996-97 POOL ACCOUNT - WHEAT

STATEMENT OF OPERATIONS AND DISTRIBUTION OF EARNINGS TO PRODUCERS
for the period August 1, 1996 to completion of operations on September 30, 1997
(with prior year comparatives for the period ended July 31, 1996)

	1996-97		1995-96	
	Amount	Rate per Tonne	Amount	Rate per Tonne
Receipts from Producers: Tonnes	19 756 578		14 352 453	
Revenue (Note 15)	$ 4,230,897,275	$ 214.151	$ 3,812,102,708	$ 265.606
Deduct Operating Costs				
Country Elevator Carrying Charges	56,525,504	2.861	53,088,474	3.699
Terminal Storage	14,944,608	0.756	8,309,959	0.579
Demurrage / Despatch	18,779,575	0.950	9,884,097	0.688
Additional freight - to terminals	38,131,697	1.930	25,677,413	1.789
- freight rate change	2,686,523	0.136	6,958,629	0.485
Drying	13,804,982	0.699	149,237	0.010
Interest and Depreciation on CWB Hopper Cars	2,371,393	0.120	3,400,351	0.237
Administrative Expenses	33,565,468	1.699	27,502,595	1.916
Interest earnings	(65,258,729)	(3.303)	(61,089,432)	(4.256)
	115,551,021	5.848	73,881,323	5.147
Earnings Distributed to Producers	$ 4,115,346,254	$ 208.303	$ 3,738,221,385	$ 260.459
Earnings Distributed as Follows:				
Initial Payments at delivery	$ 3,707,842,403	$ 187.676	$ 2,918,509,781	$ 203.346
Adjustment Payments	176,336,478	8.926	662,262,615	46.143
Final Payment	231,066,148	11.696	157,283,664	10.959
Rebate on Producer Cars	101,225	0.005	165,325	0.011
	$ 4,115,346,254	$ 208.303	$ 3,738,221,385	$ 260.459

EXHIBIT III

1996-97 POOL ACCOUNT - AMBER DURUM WHEAT

STATEMENT OF OPERATIONS AND DISTRIBUTION OF EARNINGS TO PRODUCERS

for the period August 1, 1996 to completion of operations on September 30, 1997

(with prior year comparatives for the period ended September 30, 1996)

	1996-97		1995-96	
	Amount	Rate per Tonne	Amount	Rate per Tonne
Receipts from Producers: Tonnes	3 882 848		3 973 384	
Revenue (Note 15)	$ 962,792,723	$ 247.961	$ 1,130,364,370	$ 284.484
Deduct Operating Costs				
Country Elevator Carrying Charges	11,965,467	3.082	14,386,754	3.621
Terminal Storage	5,010,878	1.290	7,956,863	2.002
Demurrage / Despatch	1,294,828	0.333	(781,718)	(0.197)
Additional freight-to terminals	1,225,932	0.316	3,510,438	0.883
-freight rate change	604,658	0.156	1,304,605	0.328
Drying	2,180,510	0.562	78,839	0.020
Interest and Depreciation on CWB Hopper Cars	466,060	0.120	941,365	0.237
Administrative Expenses	6,251,570	1.610	8,004,750	2.015
Interest earnings	(8,883,675)	(2.288)	(9,334,782)	(2.349)
	20,116,228	5.181	26,067,114	6.560
Earnings Distributed to Producers	$ 942,676,495	$ 242.780	$ 1,104,297,256	$ 277.924
Earnings Distributed as Follows:				
Initial Payments at delivery	$ 682,288,454	$ 175.719	$ 831,562,780	$ 209.284
Adjustment Payments	161,120,614	41.495	175,425,808	44.150
Interim Payment	-	-	41,703,041	10.496
Final Payment	99,260,014	25.564	55,592,731	13.991
Rebate on Producer Cars	7,413	0.002	12,896	0.003
	$ 942,676,495	$ 242.780	$ 1,104,297,256	$ 277.924

EXHIBIT IV

1996-97 POOL ACCOUNT - BARLEY
STATEMENT OF OPERATIONS AND DISTRIBUTION OF EARNINGS TO PRODUCERS
for the period August 1, 1996 to completion of operations on September 30, 1997
(with prior year comparatives for the period ended July 31, 1996)

	1996-97		1995-96	
	Amount	**Rate per Tonne**	Amount	Rate per Tonne
Receipts from Producers: Tonnes	**2 440 097**		**1 267 781**	
Revenue (Note 15)	**$ 385,966,275**	**$ 158.177**	$ 266,619,989	$ 210.304
Deduct Operating Costs				
Country Elevator Carrying Charges	**9,362,874**	**3.837**	4,261,033	3.361
Terminal Storage	**2,462,246**	**1.009**	1,666,050	1.314
Demurrage / Despatch	**4,090,147**	**1.677**	283,322	0.223
Additional freight -to terminals	**1,929,869**	**0.791**	(635,706)	(0.501)
-freight rate change	**232,271**	**0.095**	1,080,912	0.853
Drying	**3,493,943**	**1.432**	13,027	0.010
Interest and Depreciation on CWB Hopper Cars	**292,886**	**0.120**	300,360	0.237
Administrative Expenses	**4,163,495**	**1.706**	2,442,236	1.926
Interest earnings	**(7,678,940)**	**(3.147)**	(5,970,870)	(4.710)
	18,348,791	**7.520**	3,440,364	2.713
Earnings Distributed to Producers	**$ 367,617,484**	**$ 150.657**	$ 263,179,625	$ 207.591
Earnings Distributed as Follows:				
Initial Payments at delivery	**$ 339,813,142**	**$ 139.262**	$ 220,053,281	$ 173.574
Adjustment Payments	**13,787,821**	**5.651**	32,304,766	25.481
Final Payment	**14,006,741**	**5.740**	10,808,345	8.526
Rebate on Producer Cars	**9,780**	**0.004**	13,233	0.010
	$ 367,617,484	**$ 150.657**	$ 263,179,625	$ 207.591

EXHIBIT V

1996-97 POOL ACCOUNT - DESIGNATED BARLEY

STATEMENT OF OPERATIONS AND DISTRIBUTION OF EARNINGS TO PRODUCERS

for the period August 1, 1996 to completion of operations on September 30, 1997
(with prior year comparatives for the period ended September 30, 1996)

	1996-97		1995-96	
	Amount	Rate per Tonne	Amount	Rate per Tonne
Receipts from Producers: Tonnes	2 402 091		2 549 505	
Revenue (Note 15)	$ 530,873,216	$ 221.005	$ 620,029,297	$ 243.196
Deduct Operating Costs				
Country Elevator Carrying Charges	599,100	0.250	243,513	0.096
Demurrage / Despatch	219,284	0.091	(6,929)	(0.003)
Additional freight -to terminals	25,582	0.011	8,495	0.003
-freight rate change	152,268	0.063	(33,653)	(0.013)
Interest and Depreciation on CWB Hopper Cars	288,279	0.120	604,023	0.237
Administrative Expenses	4,084,200	1.700	4,885,483	1.916
Interest earnings	(3,043,871)	(1.267)	(4,468,138)	(1.752)
	2,324,842	0.968	1,232,794	0.484
Earnings Distributed to Producers	$ 528,548,374	$ 220.037	$ 618,796,503	$ 242.712
Earnings Distributed as Follows:				
Initial Payments at delivery	$ 436,485,500	$ 181.711	$ 493,505,162	$ 193.569
Adjustment Payments	65,696,042	27.350	80,823,962	31.702
Final Payment	15,945,563	6.638	33,696,550	13.217
Producer Contract Storage	10,421,269	4.338	10,770,829	4.224
	$ 528,548,374	$ 220.037	$ 618,796,503	$ 242.712

EXHIBIT VI

STATEMENT OF CASH FLOW
for the year ended July 31

	1997	1996
Cash Flow from Operating Activities		
Cash received from the sale of grain	$ 6,110,529,489	$ 5,829,116,364
Interest earned	84,865,215	80,863,222
Cash paid for operating costs	(241,206,097)	(185,484,817)
Add items not requiring an outlay of cash -depreciation	5,221,774	4,745,328
Cash flow from operating activities before working capital changes	5,959,410,381	5,729,240,097
Changes in working capital	(69,001,523)	176,462,652
	5,890,408,858	5,905,702,749
Cash Flow from Other Activities		
Decrease in accounts receivable -credit sales	234,986,289	78,278,156
Purchase of fixed assets	(13,783,833)	(1,603,649)
	221,202,456	76,674,507
Net Cash Flow before Distribution	6,111,611,314	5,982,377,256
Cash Distributed to Producers		
Cash balance undistributed in prior year	(299,275,785)	(524,164,822)
Current year balances distributed to Producers prior to July 31	(5,593,791,723)	(5,425,218,984)
	(5,893,067,508)	(5,949,383,806)
Net Increase in Cash	218,543,806	32,993,450
Borrowings at beginning of year	(6,459,297,949)	(6,492,291,399)
Borrowings at end of year	($ 6,240,754,143)	($ 6,459,297,949)

EXHIBIT VII

STATEMENT OF ADVANCE PAYMENTS TO PRODUCERS UNDER THE PRAIRIE GRAIN ADVANCE PAYMENTS ACT as at July 31

	Cash Advances to Producers	Advances Repaid by Producers	1997 Balance to be refunded by Producers	1996 Balance to be refunded by Producers
Balance to be refunded by Producers				
1988-89 and prior crop years	$ 4,705,363,450	$ 4,694,983,915	$ 10,379,535	$ 10,626,032
1989-90 crop year	144,260,874	141,956,590	2,304,284	2,516,948
1990-91 crop year	1,461,790,445	1,453,627,144	8,163,301	8,754,814
1991-92 crop year	1,163,737,749	1,154,360,881	9,376,868	10,466,755
1992-93 crop year	1,081,150,782	1,069,192,498	11,958,284	14,200,245
1993-94 crop year	819,208,984	800,000,176	19,208,808	25,861,434
1994-95 crop year	524,197,302	521,172,972	3,024,330	7,042,617
1995-96 crop year	542,198,368	538,740,829	3,457,539	67,176,060
1996-97 crop year	874,948,103	707,692,901	167,255,202	-
	$ 11,316,856,057	$ 11,081,727,906	$ 235,128,151	$ 146,644,905
Interest costs payable by Government of Canada				
Interest costs payable by Government of Canada			383,367,301	374,263,690
Deduct amounts received from Government of Canada			(382,920,379)	(373,549,555)
			446,922	714,135
Interest charges payable by Producers				
Regular interest payable by Producers			30,390,986	29,376,803
Deduct amounts received from Producers			(28,602,831)	(25,587,645)
			1,788,155	3,789,158
Default interest				
Interest received from Producers on default payments			(33,761,679)	(32,161,743)
Deduct amounts forwarded to the Government of Canada			31,552,114	26,860,281
			(2,209,565)	(5,301,462)
Deduct balance of funds received from				
Government of Canada to cover advance payments in default			(71,878,188)	(90,984,373)
Line Elevator Companies to cover advance payments in default			(1,466,902)	(1,903,388)
Line Elevator Companies to cover current advances			(233,338)	(307,192)
			(73,578,428)	(93,194,953)
			$ 161,575,235	$ 52,651,783

Since the 1990-91 crop year, the producer pays interest on the part of the cash advance that is in excess of $50,000, and the Government of Canada pays interest on advances up to $50,000 (except 1993-94 when the producer paid interest on the part of the cash advance that was in excess of $60,000 and was required to pay the first 2.25% interest on advances up to $60,000). During the 1989-90 crop year, the producer was required to pay all of the interest on the cash advance. Prior to this, the Government of Canada paid all of the interest.

EXHIBIT VIII

STATEMENT OF ADMINISTRATIVE AND GENERAL EXPENSES AND ALLOCATIONS TO OPERATIONS
for the year ended July 31

Administrative and General Expenses:	1997	1996
Advisory Committee	**$ 212,019**	$ 258,516
Annual report, *Grain Matters* and other CWB publications	**731,974**	544,783
Area representatives	**375,485**	299,377
Audit fees	**163,000**	153,000
Bonds and insurance	**60,701**	57,469
Car Allocation Policy Group - CWB share of operating expenses	**35,000**	-
Canadian International Grains Institute - CWB share of operating expenses	**1,623,164**	1,400,333
Communications and information	**195,818**	262,746
Computing equipment - rentals and services	**5,762,260**	2,953,633
Depreciation on automobiles, building, computer equipment and systems, furniture and equipment	**2,559,696**	1,852,188
District meetings	**21,947**	21,204
Human resources - salaries	**21,386,370**	21,000,991
Human resources - employment insurance, pension, group insurance, medical and other employee benefits	**4,882,949**	5,139,259
Human resources - recruitment	**252,863**	71,026
Human resources - training and development	**203,665**	320,134
Legal fees and court costs	**376,808**	21,800
Management consulting	**482,812**	534,912
Manitoba Health and Education Tax	**472,799**	484,452
Office and miscellaneous	**1,195,881**	927,563
Postage	**934,771**	1,042,426
Printing, stationery and supplies	**539,379**	567,978
Publications and subscriptions	**325,800**	274,182
Rental and lighting of offices, including maintenance of The Canadian Wheat Board building	**2,059,766**	2,075,693
Repair and rental of office equipment	**309,214**	237,602
Telecommunications	**753,458**	668,895
Travelling and transfer of staff	**1,506,784**	1,303,016
	$ 47,424,383	$ 42,473,178

EXHIBIT VIII (continued)

Allocation to Operations:	1997	1996
Marketing of Producers' Grain		
1996-97 Pool Accounts		
- Wheat	**$ 19,306,864**	
- Durum	**3,443,975**	
- Barley	**2,384,553**	
- Designated Barley	**2,347,413**	
1995-96 Pool Accounts		
- Wheat	**12,347,138**	$ 15,037,940
- Durum	**3,768,713**	4,163,157
- Barley	**1,090,647**	1,328,331
- Designated Barley	**2,193,290**	2,671,272
1994-95 Pool Accounts		
- Wheat		12,315,958
- Durum		3,422,165
- Barley		891,399
- Designated Barley		1,926,933
Cost allocated to pool accounts based on relative tonnage	**46,882,593**	41,757,155
Distributing Final Payments to Producers		
1989-90 to 1995-96 Pool Accounts		
(1989-90 to 1994-95 Pool Accounts for the prior year)		
- Wheat	**327,032**	441,361
- Durum	**91,620**	124,417
- Barley	**65,020**	81,228
- Designated Barley	**58,118**	69,017
Cost allocated to payment accounts based on activity	**541,790**	716,023
	$ 47,424,383	$ 42,473,178

EXHIBIT IX

STATEMENT OF SPECIAL ACCOUNT TRANSACTIONS
for the year ended July 31

	1997	1996
Balance of Special Account at beginning of year	**$ 3,235,545**	$ 2,484,872
Add transfer to Special Account from payment accounts authorized by Order-in-Council	**-**	1,360,539
	3,235,545	3,845,411
Deduct expenditures authorized by Order-in-Council noted below	**(562,076)**	(609,799)
Deduct payments to producers against old payment accounts	**(11,040)**	(67)
Balance of Special Account at end of year	**$ 2,662,429**	$ 3,235,545

Details of Expenditures:

Authorized by Order-in-Council	Description of Purpose	Unexpended as at July 31, 1996	Authorized Crop Year 1996-97	Unexpended as at July 31, 1997	Expended Crop Year 1996-97
P.C. 1994-1305 P.C. 1995-2202	Market Development	$ 335,783	$ -	$ 179,229	$ 156,554
P.C. 1995-2203 P.C. 1996-1358	Canadian International Grains Institute -capital expenditures	115,000	-	59,478	55,522
P.C. 1990-1538	Scholarship Program	44,024	305,976	-	350,000
		$ 494,807	$ 305,976	$ 238,707	$ 562,076

As at July 31, 1997 there were unexpended authorizations totalling $238,707 leaving an unallocated balance of $2,423,722.

NOTES TO FINANCIAL STATEMENTS

The following are an integral part of the financial statements.

(1) ACT OF INCORPORATION AND MANDATE

The Canadian Wheat Board (CWB) was established by the *Canadian Wheat Board Act*, a statute of the Parliament of Canada. The CWB was created as an agent of Her Majesty in right of Canada for the purpose of marketing in an orderly manner, in inter provincial and export trade, grain grown in Western Canada. The CWB is accountable for its affairs to Parliament through the Minister responsible for the Canadian Wheat Board.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Results of operations

The annual accounts at July 31 include the final operating results for all pool accounts for the crop year ended July 31, where marketing operations have been completed before the issuance of the annual report for that year. In determining the financial results for such pools, the accounts of the CWB at July 31 include:

(i) Stocks of grain on hand at July 31 at the values which were ultimately received as sale proceeds.

(ii) Provision for all expenses incurred or to be incurred in the process of marketing these stocks of grain including a charge for the portion of administrative and general expenses incurred subsequent to July 31 but relating to this marketing activity. Expenses related to marketing activities carried out subsequent to July 31 are included in accounts payable and accrued expenses. The expenses included are carrying charges, storage, interest, rail freight and other transportation charges, and administrative costs, together with all other sundry expenses incurred during the period.

(iii) Balances not yet distributed to producers at July 31 where marketing operations have been completed for the 1996-97 pool accounts are included in Liability to Producers.

(b) Allowances for losses on accounts receivable from credit sales

The Government of Canada guarantees the principal and interest of both the accounts receivable resulting from sales made under the Credit Grain Sales Program and the CWB's borrowings incurred to finance these accounts receivable. Because of these guarantees, the CWB is not at risk should any of the unpaid amounts prove to be uncollectible. For credit sales made outside of the Credit Grain Sales Program, the CWB has entered into arrangements with a Canadian financial institution to guarantee that the CWB has no credit risk. Therefore, no provision is made by the CWB with respect to the possibility of debtors defaulting on their obligations.

(c) Fixed assets and depreciation

Fixed assets are recorded at cost and depreciated on a straight line method over their expected useful life as follows:

Computer equipment and systems	1 to10 years (to 1/20 residual value)
Automobiles	2 years (to 1/3 residual value)
Building and office alterations	3 years
Office furniture and equipment	10 years
Hopper cars	30 years
Building	40 years

NOTES TO FINANCIAL STATEMENTS (continued)

(d) Translation of foreign currencies
Sales contracts denominated in foreign currencies are hedged by forward exchange contracts and are translated into Canadian dollars at the rates provided therein. Other income and expenses are translated at the daily exchange rates in effect during the year.

Assets and liabilities denominated in United States dollars are translated at the exchange rate in effect at the balance sheet date. The CWB hedges its United States dollar assets and liabilities on a total portfolio basis. It is the CWB's policy to manage these assets and liabilities in order to minimize net exposure to foreign currency fluctuations. Exchange adjustments arising from conversion of amounts due from foreign customers and borrowings are included in interest earnings.

Medium term notes issued by the CWB in currencies other than the Canadian or United States dollar are hedged by currency swap agreements and are translated into Canadian or United States dollars at the rates provided therein.

(e) Hedging of anticipated future transactions
The CWB has entered into wheat future and option contracts to price a portion of anticipated sales. The CWB has also entered into foreign exchange forward and option contracts in order to manage the foreign exchange risk of a portion of anticipated sales. The gains and losses on these contracts form part of the net sales price and are recognized in income as an adjustment to sales revenue in the same period as the sales being hedged.

(f) Interest and bank charges
Interest expense and bank charges incurred by the CWB in financing its activities and interest revenue earned are calculated on a full accrual basis. Interest expense and revenue are netted which is consistent with the requirement under the *Canadian Wheat Board Act* that such amounts be treated as charges or recoveries of operating costs. Net interest earnings includes interest earnings and expenses related to accounts receivable, bank charges, transaction and program fees on borrowing facilities, and interest earned on each pool account during the pool period and until final distribution to producers.

(g) Administrative and general expenses
Administrative and general expenses, except for that portion of such expenses attributable to distributing final payments to producers, are allocated to the various pool accounts to which the services relate on the basis of the relative tonnage. Expenses attributable to final payments are allocated on the basis of the number of producers receiving payments from the various pool accounts.

(h) Post-employment benefits
Benefits provided to employees upon retirement or termination are recognized in the accounts as they are earned by the employees. The unaccrued balance as at July 31, 1993 was $7,980,330, which is being amortized on a straight line basis over ten years commencing with the 1993-94 crop year. The unaccrued balance at July 31, 1997 is $4,788,198 (1996 — $5,586,231).

NOTES TO FINANCIAL STATEMENTS (continued)

(3) ACCOUNTS RECEIVABLE FROM CREDIT SALES

The status of accounts receivable from credit sales is as follows:

	1997	1996
Due from foreign customers:		
Current	**$ 226,758,452**	$ 410,285,821
Overdue	**578,518,611**	542,894,695
Subject to a Paris Club rescheduling	**283,364,048**	137,842,737
Rescheduled	**5,276,890,424**	5,430,839,079
	6,365,531,535	6,521,862,332
Due from Government of Canada	**52,759,975**	131,415,467
	$ 6,418,291,510	$ 6,653,277,799

Amounts that are current include balances receivable of $22,100,819 (1996 — $80,376,397) arising from credit sales made outside of the Government of Canada guaranteed Credit Grain Sales Program.

The accounts receivable from credit sales mature as follows:

	1997	1996
Within		
1 year	**$ 373,523,321**	$ 322,340,339
2 years	**63,088,244**	237,822,995
3 years	**95,019,027**	338,310,972
4 years	**123,318,138**	342,260,933
5 years	**206,659,378**	296,221,345
More than 5 years	**4,978,164,791**	4,573,426,520
Overdue	**578,518,611**	542,894,695
	$ 6,418,291,510	$ 6,653,277,799

Amounts due from foreign customers

These accounts receivable arise from sales of grain to Algeria, Brazil, Egypt, Ethiopia, Haiti, Iran, Iraq, Jamaica, Pakistan, Peru, Poland, Russia and Zambia. The terms call for payment in full within 36 months or less from time of shipment, except for Algeria, Brazil, Egypt, Ethiopia, Haiti, Jamaica, Peru, Poland, Russia and Zambia where the CWB, together with the Government of Canada, has agreed to reschedule certain receivables beyond their original maturity dates. All the reschedulings are arranged by the Paris Club, a forum through which the governments of debtor and creditor countries establish mutually agreed terms for the rescheduling and/or reduction of debts owed to the creditor governments and their agencies. Terms of such reschedulings vary, calling for payment of interest and the rescheduled debt for periods ranging from 5 to 25 years.

Of the $6,365,531,535 (1996 — $6,521,862,332) principal and accrued interest due from foreign customers, $4,490,063,911 (1996 — $4,597,347,569) represents the Canadian equivalent of $3,258,391,808 (1996 — $3,343,768,688) repayable in United States funds.

NOTES TO FINANCIAL STATEMENTS (continued)

Due from the Government of Canada

In addition to debt relief by means of extending the payment terms, the Government of Canada has in certain cases agreed to provide various levels of debt reduction, through the Paris Club, to customer countries who have rescheduled amounts owing to the CWB. Under the debt reduction arrangements, payment of amounts owing to the CWB is divided on an agreed basis between the debtor country and the Government of Canada. The amount of $52,759,975 reflects the amount due from the Government of Canada as at July 31, 1997 under these debt reduction agreements.

Of the $52,759,975 (1996 — $131,415,467) accrued interest due from the Government of Canada, $28,922,874 (1996 — $39,619,072) represents the Canadian equivalent of $20,989,023 (1996 — $28,815,966) repayable in United States funds.

(4) STOCKS OF GRAIN

Stocks of grain at July 31 are reported at the value ultimately received as sales proceeds as follows:

	1997	1996
Wheat	**$ 1,166,874,727**	$ 840,641,828
Durum	**329,674,513**	452,585,664
Barley	**107,241,670**	70,071,525
Designated Barley	**78,346,114**	69,311,513
	$ 1,682,137,024	$ 1,432,610,530

(5) DEFERRED AND PREPAID EXPENSES

Deferred and prepaid expenses of $38,127,819 (1996 — $51,440,276) includes prepaid costs of moving inventory to eastern export positions of $18,063,545 (1996 — $20,983,031), deposits on commodity margin accounts of $5,431,555 (1996 — $1,871,049), foreign exchange options premiums applicable to subsequent pool accounts of $5,395,248 (1996 — $0), purchase options on leased hopper cars of $5,137,335 (1996 — $5,137,335), net results of commodity hedging activities applicable to subsequent pool accounts of $3,320,546 (1996 — $21,258,841), and other deferred and prepaid expenses of $779,590 (1996 — $2,190,020).

NOTES TO FINANCIAL STATEMENTS (continued)

(6) FIXED ASSETS

	Cost	Accumulated Depreciation	1997 Net Book Value	1996 Net Book Value
Hopper cars	$ 86,752,287	$ 50,606,894	$ 36,145,393	$ 39,057,399
Computer equipment & systems	20,080,067	7,295,320	12,784,747	1,476,203
Office furniture & equipment	4,774,559	2,798,416	1,976,143	1,890,337
Building	4,572,956	3,768,450	804,506	904,893
Building & office alterations	1,882,190	1,283,568	598,622	440,221
Automobiles	588,066	231,827	356,239	393,874
Leasehold improvements	73,659	14,323	59,336	-
	$ 118,723,784	$ 65,998,798	$ 52,724,986	$ 44,162,927

Two thousand hopper cars were purchased by the CWB in 1979-80 having an original cost of $90,555,623. Of these 2,000 cars, 84 cars have been wrecked and dismantled leaving 1,916 still in the fleet. The CWB is reimbursed for destroyed cars under an operating agreement with the Canadian National Railway.

(7) BORROWINGS

Details of these borrowings are as follows:

	1997	1996
Short term debt instruments and loans	$ 5,760,845,131	$ 5,923,783,101
Medium term debt instruments	479,909,012	535,514,848
	$ 6,240,754,143	$ 6,459,297,949

These borrowings fund the following:

	1997	1996
Funds on deposit from ordinary operations	($ 177,537,367)	($ 193,979,850)
Borrowings to finance credit sales	6,418,291,510	6,653,277,799
	$ 6,240,754,143	$ 6,459,297,949

Of the total short term borrowings $3,944,082,032 (1996 — $4,069,850,631) represents the Canadian equivalent of $2,862,178,543 (1996 — $2,960,106,648) repayable in United States funds after giving effect to currency swaps. Of the medium term borrowings, $479,909,012 (1996 — $535,514,848) represents the Canadian equivalent of $348,264,885 (1996 — $389,493,671) repayable in United States funds after giving effect to cross-currency interest rate swaps.

The CWB's borrowings are undertaken with the approval of the Minister of Finance. Such borrowings constitute direct obligations of the CWB and as such constitute borrowings undertaken on behalf of Her Majesty in Right of Canada.

(8) ACCRUED EXPENSES AND ACCOUNTS PAYABLE

	1997	1996
Expenses incurred subsequent to July 31 for marketing activities on behalf of the current year pool accounts	**$ 62,555,310**	$ 38,544,905
Deferred sales revenue	**30,642,331**	33,577,806
Accounts payable	**12,574,974**	35,834,294
	$ 105,772,615	$ 107,957,005

(9) LIABILITY TO AGENTS OF THE CWB

	1997	1996
For grain purchased from producers	**$ 1,191,064,200**	$ 957,709,932
For deferred cash tickets	**173,258,169**	202,006,228
	$ 1,364,322,369	$ 1,159,716,160

Grain purchased from producers

Grain companies, acting in the capacity of agents of the CWB, accept deliveries from producers at country elevators and pay the producers on behalf of the CWB based on the CWB's initial price in effect. Settlement is not made by the CWB for these purchases until delivery to the CWB is completed by its agents at terminal or mill position. Liability to agents for grain purchased from producers represents the amount payable by the CWB to its agents for 6 648 763 (1996 — 3 951 298) tonnes of grain on hand at country elevator points and in transit at July 31 for which delivery to and settlement by the CWB is to be completed subsequent to the year end date.

Deferred cash tickets

Grain companies, acting in the capacity of agents of the CWB, deposit with the CWB in trust an amount equal to the deferred cash tickets issued for CWB grain. These funds are returned to the grain companies to cover producer-deferred cash tickets maturing predominantly during the first few days of the following calendar year.

NOTES TO FINANCIAL STATEMENTS (continued)

(10) LIABILITY TO PRODUCERS

	1997	1996
Outstanding producer cheques at July 31		
Wheat	$ 177,196,112	$ 153,398,037
Durum	112,295,373	64,589,683
Barley	3,169,751	8,899,593
Designated Barley	50,269,393	19,067,706
Oats	-	3,021
	342,930,629	245,958,040
Undistributed earnings to producers		
Wheat	231,167,373	157,448,989
Durum	99,267,427	97,308,668
Barley	14,016,521	10,821,578
Designated Barley	15,945,564	33,696,550
	360,396,885	299,275,785
	$ 703,327,514	$ 545,233,825

(11) PROVISION FOR FINAL PAYMENT EXPENSES

The amount of $8,108,840 (1996 — $5,805,860) represents the balance of the CWB's reserve for final payment expenses of pool accounts that have been closed. Six years after particular accounts have been closed, the remaining reserves for these pools may be transferred to the Special Account by Order-in-Council.

(12) SPECIAL ACCOUNT — NET BALANCE OF UNDISTRIBUTED PAYMENT ACCOUNTS

In accordance with the provision of Section 39 of the Canadian Wheat Board Act, the Governor in Council may authorize the CWB to transfer to a Special Account the unclaimed balances remaining in payment accounts which have been payable to producers for a period of six years or more. In addition to providing for payment of proper claims from producers against these old payment accounts, the Section further provides that these funds shall be used for purposes as the Governor in Council, upon the recommendations of the CWB, may deem to be for the benefit of producers.

(13) LEASE COMMITMENTS

The CWB, as an agent of Her Majesty in Right of Canada, leases 2,000 covered hopper cars for the Government of Canada. All lease costs are recoverable from the government and are not a charge to the operations of the CWB. Total payments associated with leases in the year ended July 31, 1997, amounting to $18,889,422 (1996 — $20,248,521) have been recovered by the CWB. Lease terms are for 20 and 25 years.

(14) OFF BALANCE SHEET FINANCIAL INSTRUMENTS

The CWB enters into interest rate hedging transactions to manage its funding costs and to implement asset/liability management strategies. These transactions are designed to reduce the CWB's exposure to mismatches in revenue and expenses resulting from fluctuations in interest rates and foreign exchange. These transactions include interest rate swap contracts, cross-currency interest rate swap contracts and currency swap contracts.

The CWB also transacts foreign exchange forwards, swaps, and options with financial institutions with the objective of hedging currency exposure arising primarily from grain sales. By hedging the CWB's currency exposure, risk arising from adverse currency movements is reduced.

As at July 31, the total notional amount of these off balance sheet financial instruments, all either maturing or rate re-setting within one year, is as follows:

		1997		1996
	Notional amounts	**Fair value**	Notional amounts	Fair value
Interest rate contracts				
Single-currency interest rate swaps	**$ 384,875,400**	**($ 760,671)**	$ 695,699,400	$ 212,124
Cross-currency interest rate swaps	**300,769,012**	**4,968,204**	123,044,848	9,747,822
Currency swaps	**710,413,893**	**(29,625,867)**	939,752,294	20,415,627
	1,396,058,305	**(25,418,334)**	1,758,496,542	30,375,573
Foreign exchange contracts				
Foreign exchange forwards	**969,526,082**	**(2,949,600)**	886,026,683	(3,577,603)
Foreign exchange swaps	**158,670,547**	**1,882**	-	-
Foreign exchange purchased options	**1,059,682,000**	**10,396,500**	27,498,000	97,000
Foreign exchange sold options	**784,082,000**	**(1,674,550)**	27,498,000	(128,000)
	2,971,960,629	**5,774,232**	941,022,683	(3,608,603)
	$ 4,368,018,934	**($ 19,644,102)**	$ 2,699,519,225	$ 26,766,970

The fair value of interest rate contracts refers to the net present value of expected future cash flows based on current market rates. These values have been derived using various methodologies including net present value analysis and quoted market prices where available. The fair value of foreign exchange contracts refers to the market value of forward contracts and the replacement value of options contracts. These estimates of fair value are extensively affected by the assumptions used and as such, should not be interpreted as realizable values in an immediate settlement of the instruments.

The CWB manages its exposure to the risk of non-performance by the counter party by contracting only with financial institutions having a credit rating which complies with the Financial Risk Management Guidelines approved by the Board of Commissioners and submitted to the Department of Finance. The CWB's maximum credit risk exposure at July 31, 1997 for these classes of financial instruments is calculated as $21,366,996 (1996 — $32,465,224). Credit exposure is calculated as the sum of all positive fair values for these classes of financial instruments as of July 31.

NOTES TO FINANCIAL STATEMENTS (continued)

(15) SALES

Net sales are calculated as follows:

(a) Wheat pool account

	1997		1996	
	Tonnes	**Amount**	Tonnes	Amount
Completed sales to July 31	**16 824 059**	**$ 3,917,408,522**	12 998 103	$ 3,375,684,928
Sales shipped subsequent to July 31	**6 122 735**	**1,166,874,727**	3 157 890	840,641,828
Weight losses in transit and in drying	**34 764**	**-**	716	-
	22 981 558	**5,084,283,249**	16 156 709	4,216,326,756
Deduct:				
Grain acquired from other than producers	**67 090**	**12,744,146**	78 901	17,486,232
Sales used to value prior pool account	**3 157 890**	**840,641,828**	1 725 355	386,737,816
Net sales of Wheat	**19 756 578**	**$ 4,230,897,275**	14 352 453	$ 3,812,102,708

The disposition of wheat stocks in tonnes is segregated as follows:

	1997	1996
Domestic sales	**2 439 607**	1 674 677
Export sales	**18 209 498**	11 323 426
Sales to subsequent pool account	**2 297 689**	3 157 890
Weight losses in transit and in drying	**34 764**	716
	22 981 558	16 156 709

(b) Durum pool account

	1997		1996	
	Tonnes	**Amount**	Tonnes	Amount
Completed sales to July 31	**3 587 073**	**$ 862,701,240**	2 936 915	$ 905,424,146
Sales shipped subsequent to July 31	**1 285 549**	**329,674,513**	1 836 819	452,585,664
Weight losses in transit and in drying	**10 218**	**-**	1 736	-
	4 882 840	**1,192,375,753**	4 775 470	1,358,009,810
Deduct:				
Grain acquired from other than producers	**20 961**	**4,271,236**	27 117	6,294,013
Sales used to value prior pool account	**979 031**	**225,311,794**	774 969	221,351,427
Net sales of Durum	**3 882 848**	**$ 962,792,723**	3 973 384	$ 1,130,364,370

The disposition of durum stocks in tonnes is segregated as follows:

	1997	1996
Domestic sales	**194 774**	222 750
Export sales	**4 096 920**	3 571 953
Sales to subsequent pool account	**580 928**	979 031
Weight losses in transit and in drying	**10 218**	1 736
	4 882 840	4 775 470

NOTES TO FINANCIAL STATEMENTS (continued)

(c) Barley pool account

	1997		1996	
	Tonnes	**Amount**	Tonnes	Amount
Completed sales to July 31	**2 092 668**	**$ 351,797,407**	931 288	$ 202,268,278
Sales shipped subsequent to July 31	**739 671**	**107,241,670**	379 501	70,071,525
Weight losses in transit and in drying	**8 989**	**-**	51	-
	2 841 328	**459,039,077**	1 310 840	272,339,803
Deduct:				
Grain acquired from other than producers	**21 730**	**3,001,277**	15 250	2,615,715
Sales used to value prior pool account	**379 501**	**70,071,525**	27 809	3,104,099
Net sales of Barley	**2 440 097**	**$ 385,966,275**	1 267 781	$ 266,619,989

The disposition of barley stocks in tonnes is segregated as follows:

	1997	1996
Domestic sales	**4 315**	16 825
Export sales	**2 279 935**	914 463
Sales to subsequent pool account	**548 089**	379 501
Weight losses in transit and in drying	**8 989**	51
	2 841 328	1 310 840

(d) Designated Barley pool account

	1997		1996	
	Tonnes	**Amount**	Tonnes	Amount
Completed sales to July 31	**2 005 173**	**$ 457,492,403**	2 264 045	$ 550,992,796
Sales shipped subsequent to July 31	**417 487**	**78,346,114**	286 555	69,311,513
	2 422 660	**535,838,517**	2 550 600	620,304,309
Deduct:				
Grain acquired from other than producers	**2 294**	**360,701**	1 095	275,012
Sales used to value prior pool account	**18 275**	**4,604,600**	-	-
Net sales of Designated Barley	**2 402 091**	**$ 530,873,216**	2 549 505	$ 620,029,297

The disposition of designated barley stocks in tonnes is segregated as follows:

	1997	1996
Domestic sales	**372 017**	337 587
Export sales	**1 988 464**	2 194 738
Sales to subsequent pool account	**62 179**	18 275
	2 422 660	2 550 600

(16) RESTATEMENT OF PRIOR YEAR'S BALANCES

Certain of the prior year's balances have been restated to conform with the current year's presentation.

ADVISORY COMMITTEE

TOP ROW (l to r) John Clair - District 5, Robert Ponto - District 10, Lorne Pattison - District 8, William Nicholson - District 2, Dan Cutforth - District 9

BOTTOM ROW (l to r) Derek Dewar - District 7, Micheal Halyk - District 4, Terry Hanson - District 3, Wilfred Harder (Vice-Chairman) - District 1, Arthur Macklin (Chairman) - District 11, William Rosher - District 6

SENIOR MANAGEMENT

TOP ROW (standing l to r) Bill Spafford - General Director, Sales & Market Development, Donald Vernon - Executive Director, Finance & Treasurer, Robert Roehle - Head, Corporate Communications, Pat Wallace - Executive Director, Human Resources, Jim McDonald - General Director, Country Services, John Benci - General Director, Grain Transportation, Greg Hauser - Business Manager, Information Technology (contractor), Larry Nentwig - General Director, Finance

BOTTOM ROW (seated l to r) Ward Weisensel - Head, Corporate Policy, Adrian Measner - Executive Director, Marketing, Margaret Redmond - General Counsel & Corporate Secretary. Missing from the photo: Keith McMahon - Corporate Controller

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CWB

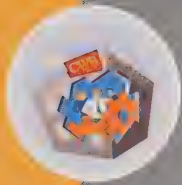
what's new?

The Canadian Wheat Board 1997-1998 Annual Report

CWB


new

① Organization



② Opportunities

③ World

Letter from the Commissioners

As a result of activities that took place during the 1997-98 crop year, everything but our commitment to Western Canada's 110,000 farmers is new. Legislation was passed in June 1998 to make the CWB more accountable to farmers. For the first time in the CWB's 63-year history, farmers elected 10 directors to a 15-member Board of Directors. The 15 directors will officially take office on December 31, 1998 and it will be their responsibility to oversee the operations of the world's largest exporter of wheat and barley in the best interests of Western Canadian farmers.

In addition to more control, farmers have asked for new tools for managing cash flow. The legislation gives the new Board of Directors the opportunity to bring in a whole host of new options ranging from making adjustment payments more quickly to making cash purchases.

These organizational changes were not taking place in a vacuum. During the 1997-98 crop year, the world was a changing place. We anticipated those changes and took action. With the downturn in the Asian market, we found new buyers for Canadian grains. At this same time, we also predicted a build-up in worldwide grain stocks and sold 80 per cent of the crop in the first half of the crop year, when values were highest.
Unfortunately, the build-up in world wheat and barley supplies has the potential to rekindle the destructive export subsidy trade war that pits Canadian farmers against the treasuries of the United States and European Union. The CWB realizes the catastrophic effect such a trade war would have on farmers, and has pressured Canadian, American and European politicians to act responsibly.

On the home front, we successfully pushed for buying of malting barley on the driveway. Communications efforts were expanded with the opening of a regional office in Regina. And on behalf of farmers, we took the railways to task for their poor service during the 1996-97 crop year. As a result, movement was significantly better in 1997-98 than it had been in the previous crop year.

Farmers have said they wanted changes. We've listened and we've taken action. As a result of the activities that took place during 1997-98, the CWB is not only a changing organization - the CWB is a new organization.

Richard Klassen
Commissioner

Lorne Hehn
Chief Commissioner

Gordon Machej
Commissioner

① Organization

Farmers have told us they want control, accountability and flexibility. We are taking up the challenge.

Farmers on Board

At the request of farmers, the CWB has been pushing for changes to give farmers more direct control over their marketing agency. During the 1997-98 crop year, Parliament responded by passing legislation to amend the *Canadian Wheat Board Act*. Throughout its history, the CWB has been governed by three to five federally-appointed Commissioners. The new structure puts a President/CEO at the head of the organization to manage the CWB's day-to-day operations, while a Board of Directors determines the CWB's strategic direction.

The first election of farmers to the CWB Board of Directors took place in the fall of 1998. In the new year the CWB will be, for the first time, governed by a majority of farmers. The Government of Canada appointed another four directors and an interim President/CEO.

The creation of a Board of Directors, the majority of whom are elected by farmers, will make the CWB more democratic and more accountable to wheat and barley growers. The CWB has always worked on behalf of farmers, but the new corporate structure solidifies the direct link farmers have with the CWB.

As a result of the changes to the *Canadian Wheat Board Act*, the organization will no longer be a Crown agent; instead it will be a shared governance corporation. Despite the change in status, the rating agencies have confirmed that the CWB's credit rating will remain equivalent to that of the Government of Canada. This means that the CWB will be able to continue borrowing at preferential rates in the markets and pass those savings back to farmers.

Changes during 1997-98 paved the way for farmers to elect the CWB's first Board of Directors.

Marketing and Pricing Options

When the revised *Canadian Wheat Board Act* received Royal Assent in June 1998, the CWB gained the ability to offer farmers new marketing tools. These tools will be at the disposal of the new Board of Directors. For example, once the CWB has established a sufficient contingency fund, the Board of Directors will be able to approve adjustments to initial payments without federal government approval. In addition, pooling periods could be changed from one-year periods to any period of one year or less. This would mean that the CWB could close and pay out pool accounts at any time. The CWB could also offer farmers an early pool cash-out option, allowing producers to take a final cash settlement, rather than wait for the final payment. These are only some of the marketing tools the new legislation provides. The intent in offering these tools is to give farmers more control over the future of their marketing agency. The end result is that the CWB is now well equipped to respond to farmers' marketing and cash flow needs.

Human Resources

Operating in today's international marketplace in the best interest of farmers requires high-quality and well-trained people. As of July 31, 1998 there were 504 full-time employees at the CWB. Among the staff there are experts in a wide variety of areas, including sales, market development, market analysis, grain transportation, finance, policy, weather and crop surveillance and communications.

Lois Kosowan receives calls on the 1-800 line.

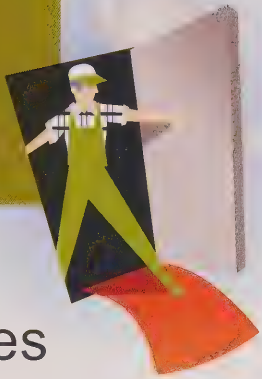
Operating in a rapidly changing environment can be a challenge. To provide support to managers and staff, a human resource information system was implemented during the crop year. This includes a review of all human resource activities at the CWB. The CWB is now planning to provide all employees and management with better human resource tools through their personal computers, including improved access to personal information, training and information to assist in career planning. Administrative overhead has also been reduced using new computer technology to help managers use their time more effectively.

During the 1997-98 crop year there were some senior staff changes. Robert Harris was appointed General Director, Grain Transportation Division in January 1998, replacing John Benci who retired earlier in the month. Ward Weisensel moved from Head of Corporate Policy Group to Assistant General Director of the Grain Transportation Division. Tami Reynolds was appointed Head of Corporate Policy Group in June, 1998. Brian White was named Acting Head of the newly constituted Market Analysis Group.

"There are many issues facing Prairie farmers today and I'm excited about the opportunity the new Canadian Wheat Board Act is providing us."

Bill Rusk
Farmer, Nipawin, SK

② Opportunities



We created and seized opportunities with immediate and long term benefits for farmers.

Canadian Transportation Agency Hearings

During the winter of 1996-97 poor railway performance cost farmers millions of dollars. The CWB filed a level of service complaint with the Canadian Transportation Agency (CTA) in April 1997 to obtain answers as to what had happened and assurances it won't happen again in the future.

The hearings began in the spring of 1998. In testimony at the hearing, Chief Commissioner Lorne Hehn said, "We believe that we need to have people in the system held accountable for their actions and for their commitments. We also believe there is a responsibility to ensure that these kinds of situations do not develop again in the future. In addition, there is a huge, catastrophic cost involved. We view this as a first step in ultimately retrieving those costs as a reflection of the commercial harm which was created at farm level." Many witnesses came forward to support the CWB position, including dozens of farmers from across the Prairies.

Three weeks into the public hearing process, the CWB and CN reached a commercial settlement. Under the no-fault settlement, the CWB discontinued the service complaint against CN in exchange for undisclosed financial compensation and rate-related benefits. The case against CP continued.

To prove that CP was not giving grain the same priority as the other commodities it moved, the CWB used CP's own data to show the CTA how grain trains experienced more delays than other CP trains. In fact, the CWB showed that in February 1997, CP decided to allocate more trains to coal movement while it was eliminating rail service for grain on branch lines. CP's data also showed grain was not given a proper share of CP's resources as they became available after a service disruption. The public hearings concluded in June 1998 and the CTA deliberated over the summer before handing down its written decision in September 1998. The decision stated that CP did breach its level of service in some instances and also discriminated against grain movement. Based on the decision, the CWB is seeking financial compensation from CP for the damages farmers suffered.

The CTA process provided answers to farmers as to why grain moved poorly in the winter of 1996 - 97.

Expanding Customer Base

A new flour mill in Vietnam started production in November 1997 using only Canadian wheat. Access to this new market started with a CWB market development mission to Southeast Asia. The CWB made contact with Vimaflour Ltd. just as they began developing the mill. We told Vimaflour Ltd. about Canadian quality and what it could do for them. Given the expansion expected in the milling industry, we also conducted a survey of Vietnamese bakers who indicated the flour they had been receiving was of inconsistent quality. Subsequent missions were undertaken which positioned the CWB to offer the product needed by the bakers. Complementing the work in Vietnam, representatives of the milling industry were invited to attend a Canadian International Grains Institute (CIGI) course in Winnipeg to investigate how the different classes of Canadian wheat would perform when making noodles, breads and confectionery products. The end result was a contract to supply Vimaflour Ltd. with Canadian wheat.

At the same time, opportunities were also presenting themselves in South America. With the signing of the Canada - Chile bilateral trade agreement, tariffs on durum wheat and barley imported by Chile were reduced to zero from 11 per cent on July 1, 1997. The tariff on barley from Canada remains at zero compared to barley from other origins that is subject to the 11 per cent tariff. For durum wheat, the tariff rate is zero between April 15 and November 15, and increases to eight per cent for the balance of the year. Throughout this cycle, the tariff on durum from all other origins remains at 11 per cent. Canada currently has 100 per cent of the durum market in Chile.

Customers Hisakazu Kishioka from Japan (left) and Nadia Chikhaoui from Algeria (right) inspect durum wheat near Swift Current, Saskatchewan.

Changing Grain Varieties

For the last decade, Harrington has been the established variety in the global two-row malting barley market. Over this period, new varieties have been developed that are equal to, or better than, Harrington in malting and brewing characteristics, and which are better suited for conditions on the Prairies. Manley, Stein and Oxbow were introduced to customers on a trial basis and are now being grown commercially across the Prairies. Plant scale tests were completed in China under the supervision of Canadian maltsters. Educational seminars expanded the maltsters' familiarity with and acceptance of these varieties. This effort has resulted in commercial sales of Stein and Oxbow. The next generation of malting barley varieties is already being developed and field trials are underway.

New durum wheat varieties are also beginning to make their mark. During the 1997-98 crop year, the Market Development Department conducted lab scale tests on six traditional and extra strong gluten durum varieties. Twelve CWB durum customers from six countries participated in the tests. The results of the tests were encouraging for the continuing development of strong gluten durum varieties to meet a specific market demand. The testing also resulted in positive ratings for recently registered varieties that fit into the current Canada Western Amber Durum (CWAD) class. In 1998-99, Market Development will be following up the lab scale tests with commercial testing of extra strong gluten durum varieties in Italy and North America.

Promoting Protein

When people talk about wheat quality, they are actually talking about protein. It is the quality of the protein in wheat that determines its milling characteristics. In many cases, millers are looking for a specific protein level and quality on a consistent basis so they do not have to make costly adjustments to their milling processes.

The difficulty for Western Canadian farmers is making effective fertility management decisions when protein premiums for the upcoming year are not known. To help farmers decide whether it makes economic sense to increase inputs, the Prairie Protein Action Committee was formed. The Committee is chaired by the CWB and includes plant breeders, soil and cereal scientists, fertilizer industry representatives and agriculture extension specialists. The culmination of this effort was a major wheat protein conference held in Saskatoon in March 1998. Issues such as soil fertility, protein quality, customer demand and agronomic issues were discussed at the conference.

The Committee is tackling the protein issue on two fronts. First, it wants to ensure that Western Canadian wheat and durum meet increasing customer demand for specific protein quantity and quality. Second, it wants to make information available to farmers on the factors that influence protein, such as variety, agronomic influences, and the effects of timely fertilization. Both these initiatives were designed to put more money in farmers' pockets.

Brazilian Valquíria Jaqueline Lopes Enk tests the strength of a Canadian dough sample.

Biotechnology Benefits

The reality of agriculture and food today is that genetically enhanced foods are already in the global distribution system. It is, however, incumbent on the scientific and business community to ensure that the interests and welfare of both customers and farmers are understood and taken into account as the science of biotechnology moves from the laboratory bench to the farm gate to the consumers' plate.

The CWB is sensitive to some customers' concerns about genetically enhanced products. We are involved in developing systems and agreements that serve the interests of all parties such as the Bio-safety Protocol on cross-border movement of genetically enhanced material. And we are pushing to develop rapid, accurate identification techniques to allow the segregation of genetically modified products from conventional ones. This is necessary to provide guarantees to the customer on the quality of the product they receive.

Adding Value at Home

The CWB held its second annual Moving Up Market conference in Calgary in November 1997. The audience was the domestic milling and malting industry, the CWB's largest single customer for Prairie wheat and malting barley.

The conference focused on the CWB's supportive role in adding value to cereal grains in Canada. Speakers from the malting and milling industry explained their industry's successes and relationships with the CWB. The livestock feeding industry and the cereal fractionation sector were explored for new options and future direction.

The push for more value-added ventures at home has begun to pay off. During the past two years, two new wheat processing plants have started up. Prairie Flour Mills (PFM) established a new flour mill west of Winnipeg at Elie, Manitoba. Focused on the domestic and U.S. markets, the mill's new technology positions it to be a key player in traditional and niche markets. The Canadian International Grains Institute (CIGI) assisted PFM in the development of the plant.

Agri-Partners International (API) began operations in their multi-phase operation at Red Deer, Alberta. The API operation includes a flour milling enterprise along with a starch/gluten extraction plant and an ethanol facility. The CWB's new pricing policy for fractionation plants was developed to allow operations like the new API facility to operate in a competitive North American environment.

Market Development Program Manager, Earl Geddes, speaks at the *Moving Up Market* conference in Calgary.

"Thank you to the Canadian Wheat Board for doing a good job of selling our grain this year. You should be congratulated."

Arthur Schamp
Farmer, Cypress River, Manitoba

③ World

During the 1997-98 crop year the CWB not only kept pace in an ever-changing world, but in many respects, led the way.

Asian Currency Crisis

The Asian financial crisis had a significant effect on countries, industries and companies around the world. While there was no way to predict the crisis, the CWB took immediate action to lessen the impact on Canadian farmers. Through the credit grain sales program, the CWB offered $250 million in credit to Indonesia and a $35 million credit package to South Korea to enable them to continue buying Prairie-grown wheat. The CWB also expanded sales of wheat into non-traditional areas such as the Persian Gulf and southern Africa.

Grain Stocks Pile Up Worldwide

While Asia was experiencing currency problems, grain stocks were building up. World wheat production reached the highest level in history in 1997-98 at 612 million tonnes. The CWB anticipated the build-up of stocks and aggressively made sales at the start of the crop year to get the highest prices possible and to facilitate good movement through the year. The CWB continued to communicate with farmers through the Pool Return Outlook (PRO) advising farmers that grain prices were expected to go down as the year progressed. With the forecast projecting continued low grain prices, Prairie farmers reacted by planting less spring wheat in 1998-99.

Harvest is well under way on the outskirts of Lethbridge, Alberta.

Growing Demand For Quality

The CWB initiated a number of programs to meet customer needs. The "Quality First" program encourages inland terminals to ship cleaner, more uniform product to U.S. mills. In March 1998, the CWB selected Weyburn Inland Terminal Ltd. (WIT) as the first winner of this program.

Meeting the growing demand for high quality has resulted in increased sales to premium markets. For instance, Warburton's, a British baking company, has very specific requirements for certain varieties of Prairie-grown wheat to produce their high quality breads. Since the company is willing to pay a premium for consistency and high quality, the CWB developed an identity-preserved contracting program to provide Warburton's with specific varieties. By meeting customer needs, the CWB increased wheat shipments to Warburton's from 82 525 tonnes in 1996-97 to 103 700 tonnes in 1997-98.

Foreign Subsidies Return

Canadian farmers reacted to market signals and planted less wheat and barley. However, the market signals to European and American farmers were masked by subsidies. The European Union's (EU) annual budget for cereal grain support payments totals $20 billion. U.S. farmers benefit from the loan deficiency program, which provides a floor price for farmers, and they also receive substantial payments through the production flexibility contract. These subsidies had the effect of driving world prices even lower.

On June 8, 1998, 11 Prairie farm leaders and CWB Commissioner Richard Klassen met with Dr. Franz Fischler, the EU Commissioner for Agriculture, to call for a substantial reduction in EU subsidies. In 1998-99 the CWB anticipates holding further meetings with Prairie farm leaders to discuss prices and farm income. The CWB also plans to brief federal government negotiators on trade impacts of the subsidies.

Canadian farm leaders at the meeting with the European Union's Commissioner for Agriculture.
First row (left to right): Alan Holt (Wild Rose Agricultural Producers), John Pearson (Prairie Pools Inc.), Don Dewar (Keystone Agricultural Producers) and Bob Friesen (Canadian Federation of Agriculture).
Second row (left to right): Stewart Wells (National Farmers Union), Greg Rockafellow (Western Barley Growers Association), Richard Klassen (CWB), Leroy Larsen (Saskatchewan Wheat Pool), Charlie Swanson (Manitoba Pool Elevators), Leo Meyer (Alberta Oat Producers Association), Neil Hardy (Saskatchewan Association of Rural Municipalities), Wilfred Harder (CWB Advisory Committee).

Service Expectations Rise

Area Representatives Eron Gross (left) and Mel Ashcroft (right) outside the regional office in Regina, Saskatchewan.

Farmers expect continuously improved service and we are responding. Farmers said they want to be paid for their selected barley when they deliver it to the local elevator, rather than after the grain arrives at port or processor. In response, the CWB developed the risk-offset program at the end of the 1997-98 crop year. The two-year program was to go into effect at the start of the 1998-99 crop year. By the final year (1999-2000) of the program, a grain company can receive a payment if it purchases at least 80 per cent of the company's total selected requirements at the time of delivery to the primary elevator.

As well as speeding up payments on malting barley, the CWB looked for ways to facilitate quicker payments on all grains with changes to the cash advance program. Corporations, partnerships, cooperatives and other business enterprises can now be pre-approved (just as individual farmers have been in the past) for cash advances. As well, the CWB worked with the Alberta Soft Wheat Producers Commission to provide an increased cash advance limit for farmers with irrigation. The higher value reflects the higher yields of irrigated crops.

The CWB has also been helping find ways to help farmers move their grain more quickly. The CWB supported grain-related amendments to the Canada Labour Code that were made in 1997-98. The amended legislation forces non-grain employers and unions to enter into negotiations during strikes and lockouts by preventing them from holding grain hostage. Furthermore, after the serious grain movement backlog in 1996-97, the Federal Government commissioned a review of the grain handling and transportation system in Western Canada. The CWB outlined an effective, low-cost transportation and handling system that links farmers, industry partners, customers and the CWB in working agreements.

On a pilot project basis, the CWB opened a regional office in the heart of Canada's grain-growing region to provide farmers with more opportunity to meet with CWB staff and sort out issues one-on-one. The Regina office opened on December 1, 1997. If the project is successful, offices may be opened at other points across the Prairies.

The CWB also hosted nine Windows to World Markets crop demonstration plots across the Prairies. Through the 1-800 line, the CWB received 131,000 calls. And another 1,600 people took advantage of tours of the CWB in 1997-98.

Great Strides in Technology

With improving computer technology the number of people using personal computers and the Internet continues to increase. To meet the demands of those wanting to do business through the computer, the CWB is continually providing more information through its Web site. In April 1998, the CWB's efforts were recognized with a 1997 Signature Award for "Best Web Site" from the Advertising Association of Winnipeg.

In June 1998, the CWB developed a working group made up of industry officials, farmer representatives and CWB staff to try to develop an electronic on-line permit book. Once completed this will allow farmers confidential, up-to-the-minute access to all of their delivery, contracting, pricing and cash advance information.

New software has also allowed management to improve budgeting procedures and track expenses better. A new Inventory Control department was established to consolidate and streamline the administration, tracking and recording of CWB inventory through one central database.
The opportunities as a result of the new technology seem limitless, but there are also some hurdles - the most significant being the Year 2000 problem. The CWB was one of the first organizations in Canada to develop its capability from a systems aspect to recognize dates beyond December 31, 1999. As a result of our foresight we fully expect to have all of our systems ready for the changeover well in advance of the new millennium.

Internet specialist Richard Martin displays the CWB's Signature Award.

"I just received a copy of the barley variety survey conducted by your office. You are to be warmly congratulated for such an effort - this information is like a gold mine to many people - myself included!"

M.C. Therrien,
Research Scientist, Brandon, Manitoba

Management Discussion and Analysis

OPERATING RESULTS

The 1997-98 crop year was one farmers and industry will remember with mixed feelings. On a positive note, durum wheat values were near record levels, grain movement was very good and farmers produced a high-quality crop. On the flip side, world demand declined for wheat and barley, foreign subsidies returned after a three-year reprieve and dry weather resulted in lower yields.

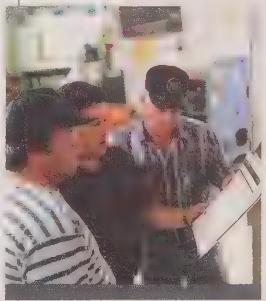
The lower yields and reduced wheat and barley prices affected the total export value of the 1997-98 crop. Sales values from the four pool accounts - wheat, durum, barley and designated barley - to domestic and export markets reached $4.6 billion down from the record of $6.1 billion set in 1996-97. Despite the reduced total value, only the three major car manufacturers (General Motors of Canada Ltd., Chrysler Canada Ltd. and Ford Motor Co. of Canada Ltd.) and IBM Canada generated more sales revenue from exports than the CWB.

The CWB anticipated that the value of the 1997-98 crop would be highest early in the year. To take advantage of the expected early higher prices, the marketing strategy was to move 50 per cent of the crop year exports by December 31, 1997 and 85 per cent by May 31, 1998. The well-planned strategy had a very positive impact on pool returns as prices, particularly durum, declined over the crop year. Improved rail service helped the CWB earn $4.4 million in net despatch revenue. Despatch is earned when ships are loaded ahead of schedule.

Difficult Growing Season

Cool conditions in late April and early May delayed seeding of the 1997 wheat and barley crops. Seeding began the first week of May, but eastern and northern regions did not start planting until the end of the month. In northern Alberta and northeastern Saskatchewan, seeding operations were delayed due to wet soil conditions and the fact that farmers still had to complete a portion of the 1996 harvest. Flooding in Manitoba's Red River Valley also caused significant delays, postponing seeding until early June.

Farmers responded to the CWB market outlook signals by seeding less wheat and barley and increasing durum acreage. Spring wheat acreage dropped 10 per cent from the previous year to 8.9 million hectares (22 million acres). Durum area increased by eight per cent from 1996 to 2.2 million hectares (5.4 million acres) and winter wheat area decreased to 67,000 hectares (166,000 acres). Barley acreage dropped five per cent to 4.7 million hectares (11.6 million acres). The drop in acreage was due to increased oilseed and special crop acreage.



Area Representative Bert Dupasquier (centre) discusses the Pool Return Outlook with Doug Latta (left) and Dean Louvier (right) at the Manitoba Pool elevator in Rosser, Manitoba.

Temperatures in June were normal to above normal. Rainfall varied across the Prairies, with western regions receiving normal amounts and eastern regions receiving below normal amounts. Dryness in southwestern Manitoba and southeastern Saskatchewan caused poor germination and limited the yield potential of all crops. In Alberta, rains delayed seeding.

In July, temperatures started out normal and increased to above normal by the end of the month. Above normal temperatures and minimal precipitation across most of the Prairies caused crop conditions to decline rapidly in the last half of July.

The hot, dry weather continued in August, which further deteriorated crop conditions. Wheat matured rapidly under the warm, dry weather and harvesting began in some southern areas by mid-August. Rains returned to the Prairies mid-month improving conditions in some northern areas, although it was too late for the bulk of the crop.

Weather conditions in the latter half of August and into September were nearly ideal. This allowed the harvest to near completion (95 per cent) by the end of September. Northern Alberta was the exception, as heavy rains in the Peace River region delayed harvest and reduced crop quality.

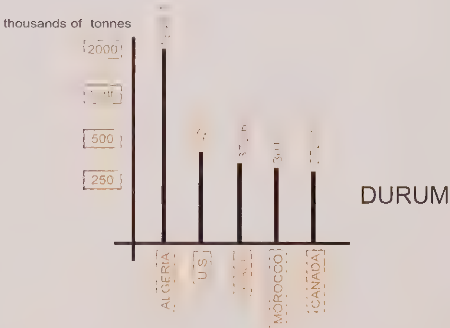
Customers at Home and Abroad

For the second consecutive year, the Canadian wheat and malting barley industries were the single largest market for western Canadian grain. Sales of non-durum wheat to the domestic milling market were 2.24 million tonnes, just down from 2.25 million tonnes in 1996-97. The domestic industry was also the top malting barley customer. During 1997-98 the CWB provided 1.1 million tonnes of malting barley to domestic maltsters for production of domestic and export malt.

The top customer for non-durum wheat abroad was Iran, which purchased 2.1 million tonnes, up from two million tonnes in 1996-97. The demand for durum in Algeria continued to grow as it imported almost two million tonnes in 1997-98 up from 1.2 million tonnes in 1996-97.

In feed barley marketing, total exports dropped substantially as the domestic industry provided one of the highest feed barley values in the world. Saudi Arabia again topped the list of importers with 434 000 tonnes. The top two importers of malting barley continued to be the United States and China, where sales volumes reached record levels.

LARGEST VOLUME CUSTOMER COUNTRIES



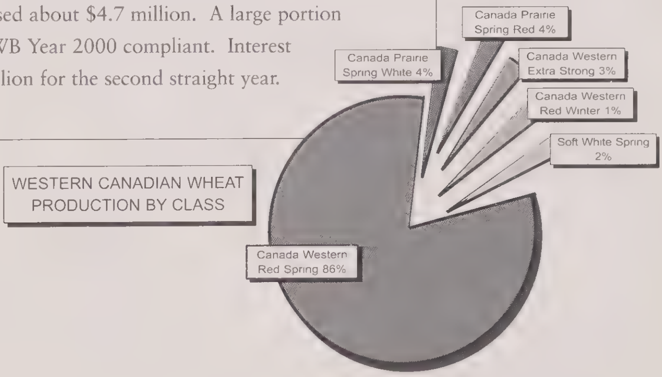
Analysis of Wheat Pool Account

The CWB projected non-durum wheat values would drop in 1996-97 and farmers responded by planting 10 per cent less wheat than the previous year. As a result of the drop in seeded acreage and dry conditions, western Canadian non-durum wheat production totalled 18.98 million tonnes, down sharply from last year's 25 million tonnes.

While the crop was smaller, it was very high quality. More than 80 per cent of wheat receipts was Canada Western Red Spring (CWRS) and of that, nearly two-thirds made the No. 1 grade compared to less than one-third the previous year. Protein content, measured by the Canadian Grain Commission using Combustion Nitrogen Analysis (CNA), was also well above average. The mean protein of No. 1 CWRS in 1997 was 13.4 per cent, up from the five-year average of 13.2 per cent.

The total sales value was $3.09 billion on receipts of 15.2 million tonnes of wheat. The average sales value of $203.12 per tonne in store Vancouver/Thunder Bay was down about 5 per cent from the previous year.

The CWB's total operating costs were $51.5 million which represented a 55 per cent decrease from the previous year. The biggest reason for the decrease was a smoothly shipped sales program due to improved rail service that allowed the CWB to earn $3.7 million despatch on grain movement. During 1996-97 the CWB paid $18.7 million in demurrage. Country elevator carrying charges and freight to terminal costs were also significantly lower largely as a result of the smaller crop. Additional freight costs were lower, reflecting an average 1.2 per cent freight rate decrease that took effect August 1, 1998. Drying costs decreased by more than $13 million due to the almost ideal harvest conditions. CWB administration expenses increased about $4.7 million. A large portion of the increase is a result of costs incurred making the CWB Year 2000 compliant. Interest earnings on the wheat pool account amounted to $65 million for the second straight year.



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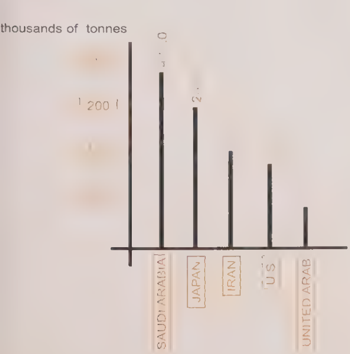
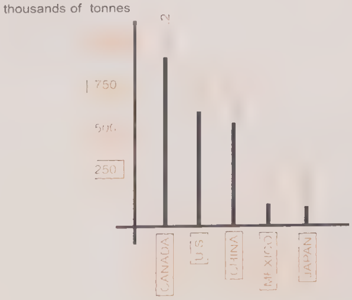


FEED BARLEY



DESIGNATED BARLEY

Analysis of Durum Pool Account

The 1997-98 Canada Western Amber Durum (CWAD) values were the second highest on record. The average sales value of the durum pool was $284 per tonne in store Vancouver/Thunder Bay, almost 15 per cent more than last year. The total revenue exceeded $1.1 billion on 3.9 million tonnes of receipts from producers.

Durum production was 4.35 million tonnes, just less than the 4.63 million tonnes produced in 1996-97. The grades were significantly up from the past two years. More than 80 per cent of the crop fell in the top two grades, compared to 50 per cent the previous year. The protein in the top grade of CWAD was 12.8 per cent, just above the five-year average.

Costs to the pool account decreased by about $2 million in 1997-98 compared to the year before. Good movement of product resulted in a terminal storage expense decrease of about $1 million and earnings of $651,271 on despatch. The previous year the CWB paid $1.29 million in demurrage. Drying expenses were reduced by about $2 million due to ideal harvest conditions. Freight rates were reduced by 1.2 per cent which resulted in a recovery of $306,000. Country elevator charges were about $1.5 million higher than the year before because both the higher per tonne value of the product being financed and interest rates were higher than the previous year. Additional freight to terminals increased slightly as some durum was moved from non-traditional catchment areas. Administrative expenses were $9.9 million, up from $6.3 million in 1996-97. The increase was largely as a result of increased costs to prepare for the Year 2000 challenge and the fact that durum wheat accounted for a higher percentage of total receipts, therefore absorbing a higher percentage of the total expenses. Interest earnings were $11 million up from $8.8 million the previous year.

Analysis of Barley Pool Account

In total 12.5 million tonnes of barley were produced in Western Canada, down from 15 million tonnes in 1996-97. The total area sown to barley was about five per cent more than the five-year average.

The average sales value per tonne for barley sold by the CWB was $124.07 per tonne in store Vancouver/Thunder Bay. Feed barley returns were affected for the second consecutive year by aggressive export intervention on the part of the European Union (EU). While the off-shore market was affected by subsidies, the boom in the hog and beef industries helped make the Canadian domestic market among the most lucrative in the world. As a result, most barley that was produced for feed in 1997-98 was sold by farmers into the high-value domestic industry. Receipts of feed barley from producers plummeted from 2.4 million tonnes in 1996-97 to 262 000 tonnes in 1997-98.

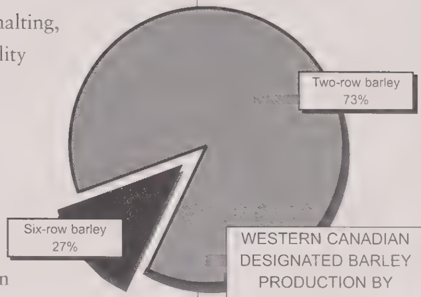
Costs to the barley pool were substantially lower than 1996-97. Total costs were $618,000 compared to $18.3 million the previous year. The decrease in pool size affected all facets of costs. Additional freight costs were also decreased as a result of lower freight rates and good rail movement.

Analysis of Designated Barley Pool Account

Designated barley refers to barley selected and accepted from producers for use in malting, pot or pearling. The ideal harvest conditions resulted in ample supplies of high quality designated barley in 1997.

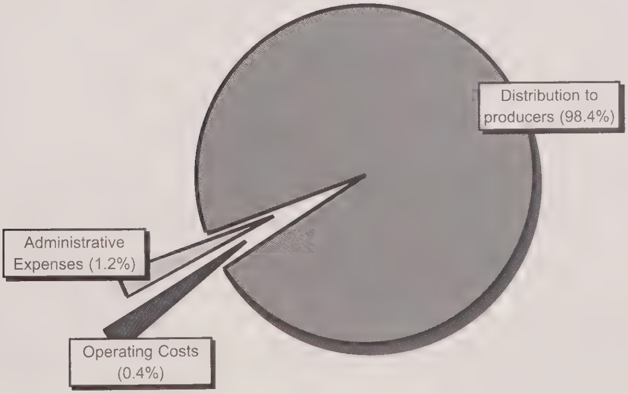
Receipts from producers were 2.3 million tonnes, down a little more than 100 000 tonnes from the previous year. The average sales value fell to $195.55 per tonne in store Vancouver/Thunder Bay from $221.01 the previous year.

Overall costs to the pool were higher in 1997-98 at $3.4 million up from $2.3 million the year before. Country elevator charges were higher due to grain companies paying more farmers in full at time of delivery (as opposed to the consigned carlot system). In this way, the CWB paid storage and interest to the country elevator companies for the time that the grain was stored and financed by them. Administrative expenses rose by about $1.7 million from the previous year largely because designated barley accounted for a higher percentage of total receipts, which translated into higher expenses. Despatch was earned as a result of good rail movement and a well-executed sales plan. Interest earnings rose to $4.6 million from $3 million the previous year primarily due to higher interest rates.



WESTERN CANADIAN DESIGNATED BARLEY PRODUCTION BY VARIETY TYPE

CWB DISTRIBUTION OF SALES PROCEEDS (ALL GRAINS)



Management Discussion and Analysis

FINANCIAL REVIEW

Credit Granting Activities

The CWB works with the federal government to develop credit programs that facilitate the sale of Western Canadian grain. The federal government provides guarantees, credit limits and support program structures that will best meet this need. The CWB, acting within the guidelines established by the Department of Finance and other government departments, works closely with individual customers and commercial banks to customize credit facilities best suited to customer needs. The credit programs available are an important factor in building and maintaining market share for CWB stakeholders in many foreign markets, particularly when competitors use credit programs. In some cases, foreign governments of other grain exporters provide concessional credit terms on their export sales.

The CWB uses the following programs to offer credit carrying commercial terms:

Credit Grain Sales Program

The Credit Grain Sales Program allows the CWB to sell grain on credit to customers who can provide a sovereign guarantee of repayment to the CWB from their central bank or ministry of finance. The Government of Canada, in consultation with the CWB, establishes country eligibility and individual country credit ceilings for this program. The Government of Canada guarantees repayment of all credit receivables under the Credit Grain Sales Program, which means that all amounts due to the CWB are contingent liabilities of the Government of Canada.

Grain elevators at Newdale, Manitoba.

Agri-food Credit Facility

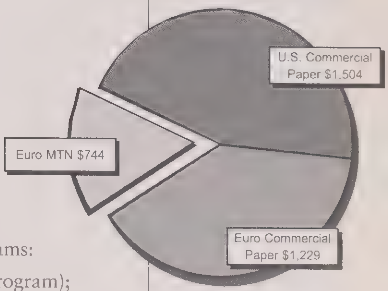
The Agri-food Credit Facility allows CWB to sell grain, either directly or through Accredited Exporters, on credit to private importers where the importer cannot provide a sovereign guarantee of repayment. Since these transactions involve private buyers and their foreign banks, there are no country credit ceilings but instead the Government of Canada evaluates each transaction on a case by case basis. Under this program the Government of Canada guarantees a declining percentage of the receivables based on the repayment term of the credit. The CWB assumes this nominal risk not covered by the Government of Canada.

Other Credit Programs

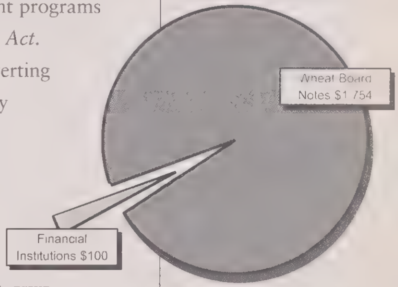
Due to the recent disturbances in emerging economies certain existing customers have switched from a cash basis of settlement to requiring credit. To facilitate the needs of these customers, the CWB has worked closely with the federal government and Canadian commercial banks to make credit arrangements. During the past year, credit has been extended to customers in both Indonesia and South Korea. Under these arrangements, the credit risk that is not covered under the Credit Grain Sales Program or the Agri-food Credit Facility is assumed by a commercial bank, without recourse to the CWB.

CANADIAN WHEAT BOARD BORROWING PROGRAMS

U.S. DOLLAR PORTFOLIO
$3,477 million



CDN DOLLAR PORTFOLIO
$1,854 million



Funding Activities and Liquidity

Funding Activity

Under the *Canadian Wheat Board Act,* and with the approval of the Minister of Finance, the CWB is empowered "to borrow money by any means, including the issuing, reissuing, selling and pledging of bonds, debentures, notes and other evidences of indebtedness". The CWB's funding requirements are met primarily through four distinct borrowing programs:

* a short term domestic Commercial Paper Program (the "Wheat Board Note" program);
* a short term U.S. Commercial Paper Program;
* a short term Euro Commercial Paper Program; and
* a Euro Medium-Term Note Program.

The CWB borrows money in order to finance grain inventories, credit sales, administrative and operating expenses, as well as to administer the Government of Canada's advance payment programs under the *Agricultural Marketing Programs Act* and the *Prairie Grain Advance Payments Act.* Although the CWB borrows in a variety of currencies, currency risk is eliminated by converting borrowings into either Canadian or U.S. dollars. The CWB's total debt portfolio generally fluctuates between $6 and $7 billion Canadian dollar equivalent.

The CWB continues to explore new borrowing opportunities in all financial markets in an ongoing effort to further reduce borrowing costs, expand and diversify investor base and maintain access to money. The CWB is one of Canada's largest borrowers and competes for funds in all markets against other highly rated, sizable organizations. Since all CWB borrowings are fully guaranteed by the Government of Canada, money is borrowed at rates comparable to those of the Government of Canada.

On June 11, 1998, the Parliament of Canada enacted Bill C-4, *An Act to amend the Canadian Wheat Board Act.* Under the amended Act, the CWB ceased to be an Agent of Her Majesty in right of Canada on December 31, 1998. All borrowings, however, continue to be unconditionally and irrevocably guaranteed by the Minister of Finance on behalf of Her Majesty in right of Canada. Any amount required to be paid pursuant to the guarantee will be paid out of the Consolidated Revenue Fund of Canada, the aggregate of all public moneys.

The CWB has the following credit ratings:

	Domestic Long-Term	Domestic Short-Term	Foreign Currency Long-Term	Foreign Currency Short-Term
Moody's	Aa1	P1	Aa2	P1
Standard & Poor's	AAA	A1+	AA+	A1+
Dominion Bond Rating Service	AAA	R-1H	AAH	R-1H
Canadian Bond Rating Service	AA+	A-1+	AA+	A-1+

Liquidity

In the course of normal operations, the CWB's funding programs provide sufficient liquidity to meet daily cash requirements. The CWB also holds highly rated short term investments for cash management purposes to ensure that sufficient liquidity is available. The CWB also maintains sufficient lines of credit with financial institutions to provide additional access to money.

Risk Management Activities

The Government of Canada guarantees an initial payment to producers during the pool year and also seeks to minimize risks to the total return farmers will receive while participating in the pool accounts. Certain risks do exist that may affect the ability of the CWB to meet these objectives and obligations. These risks include market risk and credit risk as described below.

The CWB manages its financial risk exposures relating to foreign exchange, commodity prices and interest rate exposures within formal corporate policies. The policies were approved by the Board of Commissioners in June 1997 and are in accordance with the Federal Government's *Financial Risk Management Guidelines for Crown Corporations.*

Market Risk

Market risk is the risk to the CWB's financial condition resulting from adverse movements in the level or volatility of market prices. The CWB is exposed to market risk in three areas of its operations including commodity price risk, foreign exchange risk and interest rate risk.

Commodity Price Risk

Commodity price risk is defined as the risk of reduced revenue to the organization resulting from adverse changes in commodity prices.

In 1997-98, 37 per cent of the wheat pool was sold on basis contracts where the full contract price was determined at a later date. Basis contracts enable the CWB and the customer to manage price risk independently, and also provide the customer with the ability to determine the date that the contract will be priced. The result is that the CWB faces the risk of a movement in the price of grain between the time the grain is sold and the time the grain is priced. To offset this risk, at the time these sales contracts are entered into, the CWB sells grain futures contracts on regulated U.S. futures markets. Because of the nature and size of the futures contracts traded the CWB may not be perfectly

Customer country flags fly at CWB *Windows to World Markets* display outside Headingly, Manitoba.

hedged against these price fluctuations. However, the degree to which the pool accounts are at risk due to these incomplete hedges poses no material risk of loss to the pool accounts. In most cases, the final contract price is determined through an exchange of futures contracts with the customer.

In addition, during 1997-98 the CWB entered into grain futures contracts on regulated U.S. futures markets to price grain where the opportunity to do so was not available in the physical market. These transactions were small in volume and did not materially affect any pool account.

Foreign Exchange Risk

Foreign exchange risk is defined as the exposure to the potential impact of adverse movements in foreign exchange rates.

All sales entered into by the CWB are priced directly or indirectly in U.S. dollars. Sales priced in Canadian dollars are determined by reference to the U.S. dollar value of the grain at the time the sale is entered into or priced in the case of deferred basis contracts. Therefore, the pool returns are subject to the risk of adverse movements in the U.S. dollar exchange rate in a particular pool year. The CWB enters into over-the-counter foreign exchange forward and option contracts to minimize the corporation's exposure to adverse foreign exchange rate movement. By utilizing these hedging instruments, the CWB is able to establish the conversion rate for the U.S. dollar on the sales contracts entered into.

Interest Rate Risk

The CWB has substantial financial assets that earn interest revenue and financial liabilities that incur interest expense. Interest revenue less interest expense results in net interest earnings. Interest rate risk exists when there is a mismatch between the interest rate repricing dates and term of the assets and liabilities. In the event of a mismatch, an adverse change in interest rates could reduce net interest earnings.

The CWB's assets are primarily Canadian and U.S. dollar denominated credit receivables arising from the sale of grain. These floating rate assets are financed predominantly through the issuance of either short term debt or medium term debt that has been swapped to a floating rate of interest. Therefore floating rate assets are financed through floating rate debt, thus reducing the interest rate risk of the organization which is consistent with "best practices".

The CWB's Board of Commissioners has established limits within which asset/liability management is conducted.

Karen Bailey (left) tours farmers through the Finance Department.

Credit Risk

Credit risk is the risk of potential loss should a counter-party fail to meet its contractual obligations and is comprised of current, potential and settlement exposure. The CWB has exposure to credit risk with respect to non-guaranteed accounts receivable due from foreign customers, investing transactions, and derivative transactions.

The CWB's exposure to credit risk on accounts receivable due from foreign customers is limited to those receivables that are not guaranteed by the Government of Canada. Under the Agri-food Credit Facility the Government of Canada guarantees a declining percentage of the receivables based on the repayment term of the credit. The CWB assumes the risk not covered by the Government of Canada or by a commercial bank. No defaults have been experienced against these programs to date, including in the current year.

Where credit risk on a non-guaranteed receivable has been assumed by a commercial bank, the bank has no recourse to the CWB. The CWB's exposure in these situations is limited to the risk of non-performance of the commercial bank in the event of non-payment by the customer. The CWB manages this exposure by contracting only with those financial institutions having a very high credit rating.

The CWB manages exposure to risk of loss from an investing counter-party by transacting investments only with highly rated counter-parties. Investments adhere to the credit rating requirements of the *Canadian Wheat Board Act* and the *Minister of Finance Credit Policy Guidelines for Crown Corporations.*

Credit risk associated with derivatives entered into for treasury management and foreign exchange purposes represents the replacement cost of contracts with a positive fair value. The CWB manages its exposure to the risk of non-performance of a derivative counter-party by contracting only with financial institutions having very high credit ratings qualified to the financial risk management guidelines approved by the CWB's Board of Commissioners and by the Minister of Finance. In addition to strict credit rating requirements, the CWB utilizes International Swaps and Derivatives Association, Inc. master agreements to minimize the credit risk, payment risk and legal risk associated with interest rate related derivative transactions.

Year 2000 Computer Compliance

The Year 2000 presents a major challenge for computer systems around the world. The problem is that many of the world's computers use two-digit date fields and may be unable to recognize the century change, from 1999 to 2000, resulting in systems failure or inaccurate results.

The CWB is a leader among Canadian businesses in dealing with this problem, having begun work to correct this problem in 1995, pioneering some techniques that are now in use outside of the CWB. For the CWB, the task is both large and complex. The CWB keeps track of producer deliveries, grain stocks and accounts receivable with the help of computers. Many of these software programs were written specifically for the CWB and could not be replaced with commercially available software. As a result, significant staff time and resources have been invested in modifying computer infrastructure over the past three years, by repairing some applications and replacing others. It is anticipated that all reprogramming and replacement efforts for systems will be completed by June 1999.

However, the Year 2000 challenge extends beyond safeguarding CWB computer systems. The CWB regularly receives information from grain elevator companies, railways, banks and grain customers via computer. The CWB is now in the process of verifying where these and other companies stand in terms of Year 2000 compliance. The CWB, as a major player in the Canadian grain industry, is working towards coordinating efforts within the industry to ensure that shipments of Western Canadian grain continue without disruption on January 1, 2000 and beyond.

The sun sets on a field of Canada Western Extra Strong wheat near Roland, Manitoba.

Glossary of Financial Terms

Cross-currency interest rate swap
a contractual agreement for specified parties to exchange principal and fixed and floating interest rate payments, in different currencies. Notional amounts upon which the interest rate payments are based are not exchanged.

Currency call option
a contractual agreement which gives the purchaser of the call option the right to buy the currency at a predetermined price at a specific point in time or during a specified period. The seller of the call option has the obligation to sell the currency if the option is exercised.

Currency put option
a contractual agreement which gives the purchaser of the put option the right to deliver the currency to the seller of the option at a predetermined price at a specific point in time or during a specified period. The seller of the put option has the obligation to accept delivery if the option is exercised.

Currency swap
a contractual agreement for specified parties to exchange the cash flow of one currency for a fixed cash flow of another currency.

Derivative instrument
a contract or security that obtains much of its value from price movements in a related or underlying security, future, or other instrument or index.

Fair value
an estimate of the amount of consideration that would be agreed upon between two arm's length parties to buy or sell a financial instrument at a point in time.

Foreign exchange forward
an agreement to buy and sell currency at a specified price and date in the future.

Foreign exchange swap
a transaction in which a foreign currency is simultaneously purchased in the spot market and sold in the forward market or vice-versa.

Futures contract
a future commitment to purchase or deliver a commodity or financial instrument on a specified future date at a specified price. The futures contract is an obligation between the corporation and the organized exchange upon which the contract is traded.

Hedge
a risk management technique used to decrease the risk of adverse commodity price, interest rate or foreign exchange movements by establishing offsetting or risk-mitigating positions intended to reduce or minimize the corporation's exposure.

International Swaps and Derivatives Association, Inc. (ISDA)
the principal swap industry trade group whose agreements are used as standard documentation for over-the-counter derivative instruments.

Liquidity
having sufficient funds available to meet corporate obligations in a timely manner.

Option
a contract that grants the right, but not the obligation, to buy or sell a commodity or financial instrument at a specified price at a specific point in time or during a specified period.

Risk management
the application of financial analysis and diverse financial instruments to the control and, typically, the reduction of selected types of risk.

Single currency interest rate swap
a contractual agreement for specified parties to exchange fixed interest rate payments for floating interest rate payments based on a notional value in a single currency. Notional amounts upon which the interest rate payments are based are not exchanged.

Swap
a contractual agreement to exchange a stream of periodic payments with a counter-party.

financial results

Index to Financial Statements
July 31, 1998

The Canadian Wheat Board
La Commission canadienne du blé

The financial statements of the Canadian Wheat Board together with other information contained in this annual report have been prepared by management, who have full responsibility for them, and approved by the Board. These statements reflect the results for the year ended July 31, 1998 and the financial status of the CWB as of that date.

Management's responsibility includes ensuring that the financial statements are prepared in accordance with generally accepted accounting principles appropriate in the circumstances and consistently applied, and that appropriate systems of internal controls and formal policies and procedures are in place to ensure the integrity and reliability of accounting and financial reporting, as well as the safety of all of the organization's assets.

Deloitte & Touche, Chartered Accountants, the CWB's external auditors, have performed an independent examination of the financial statements in this report. Management has made available to the external auditors all financial records and related data.

The Canadian Wheat Board is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Commissioners, along with the Chair of the CWB Advisory Committee and an independent outside member, act as an Audit Committee in exercising this responsibility. The Committee meets with the external auditors to discuss the results of the audit and the evaluation of the CWB's internal controls. The Internal Audit Department, reporting directly to the Audit Committee, has a mandate to provide timely recommendations and assessments concerning the effectiveness of internal controls. The Committee reviews the action taken by management with respect to the recommendations made by the internal and external auditors.

D.E. Vernon

Donald E. Vernon, C.A.
Executive Director, Finance and Treasurer

Adrian Measner

Adrian Measner
Executive Director, Marketing

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Deloitte &
Touche

To the Canadian Wheat Board:

We have audited the financial statements of the Canadian Wheat Board set out as Exhibits I to VIII and notes thereto which include the balance sheet at July 31, 1998 and the statements of operations and distribution of earnings to producers for the 1997-98 pool accounts for wheat and amber durum wheat for the period August 1, 1997 to completion of operations on August 31, 1998 and for barley and designated barley for the period August 1, 1997 to completion of operations on September 30, 1998, the statement of cash flow for the year ended July 31, 1998, the statement of special account transactions for the year ended July 31, 1998, and the statement of administrative and general expenses and allocations to operations for the year ended July 31, 1998. These financial statements are the responsibility of the Canadian Wheat Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Canadian Wheat Board as at July 31, 1998 and the results of its operations and the changes in its financial position for the periods shown in accordance with generally accepted accounting principles.

Deloitte + Touche

Deloitte & Touche

Winnipeg, Manitoba
December 21, 1998

Deloitte Touche
Tohmatsu
International

Exhibit I

BALANCE SHEET
as at July 31

	1998	1997
ASSETS		
Accounts Receivable		
Credit sales (Note 3)	$7,022,939,980	$6,418,291,510
Completed sales	17,223,160	66,184,064
Advance payment programs (Note 4)	75,893,749	161,575,235
Other	29,630,222	5,907,272
	7,145,687,111	6,651,958,081
Stocks of grain (Note 5)	946,686,022	1,682,137,024
Deferred and prepaid expenses (Note 6)	16,190,470	38,127,819
Fixed assets (Note 7)	66,276,729	52,724,986
TOTAL ASSETS	$8,174,840,332	$8,424,947,910
LIABILITIES		
Borrowings (Note 8)	$6,715,579,384	$6,240,754,143
Accounts payable and accrued expenses (Note 9)	117,561,738	105,772,615
Liability to agents of the CWB (Note 10)	730,240,623	1,364,322,369
Liability to Producers (Note 11)	601,023,394	703,327,514
Provision for final payment expenses (Note 12)	7,643,324	8,108,840
Special Account – net balance of undistributed payment accounts (Note 13)	2,791,869	2,662,429
TOTAL LIABILITIES	$8,174,840,332	$8,424,947,910

APPROVED

Lorne F. Hehn
Chief Commissioner

Richard H. Klassen
Commissioner

Gordon P. Machej
Commissioner

Donald E. Vernon
Executive Director, Finance and Treasurer

Exhibit II

1997-98 POOL ACCOUNT - WHEAT
STATEMENT OF OPERATIONS AND
DISTRIBUTION OF EARNINGS TO PRODUCERS

for the period August 1, 1997 to completion of operations on August 31, 1998
(with prior year comparatives for the period ended September 30, 1997)

	1997-98		1996-97	
	Amount	Rate per Tonne	Amount	Rate per Tonne
Receipts from Producers: Tonnes	15 201 105		19 756 578	
Revenue (Note 18)	$3,087,651,013	$203.120	$4,230,897,275	$214.151
Deduct Operating Costs				
Country Elevator Carrying Charges	43,252,471	2.845	56,525,504	2.861
Terminal Storage	15,495,422	1.019	14,944,608	0.756
Demurrage / Despatch	(3,732,998)	(0.245)	18,779,575	0.950
Additional freight - to terminals	23,155,431	1.523	38,131,697	1.930
- freight rate change	(2,486,330)	(0.163)	2,686,523	0.136
Drying	563,754	0.037	13,804,982	0.699
Interest and Depreciation on CWB Hopper Cars	2,306,893	0.152	2,371,393	0.120
Administrative Expenses	38,235,780	2.515	33,565,468	1.699
Interest earnings	(65,308,740)	(4.296)	(65,258,729)	(3.303)
	51,481,683	3.387	115,551,021	5.848
Earnings Distributed to Producers	$3,036,169,330	$199.733	$4,115,346,254	$208.303
Earnings Distributed as follows:				
Initial Payments at delivery	$2,421,760,919	$159.314	$3,707,842,403	$187.676
Adjustment Payments	306,316,251	20.151	176,336,478	8.926
Interim Payment	114,430,256	7.528	-	-
Final Payment	193,583,966	12.735	231,066,148	11.696
Rebate on Producer Cars	77,938	0.005	101,225	0.005
	$3,036,169,330	$199.733	$4,115,346,254	$208.303

Exhibit III

1997-98 POOL ACCOUNT - AMBER DURUM WHEAT
STATEMENT OF OPERATIONS AND
DISTRIBUTION OF EARNINGS TO PRODUCERS

for the period August 1, 1997 to completion of operations on August 31, 1998
(with prior year comparatives for the period ended September 30, 1997)

	1997-98		1996-97	
	Amount	Rate per Tonne	Amount	Rate per Tonne
Receipts from Producers: Tonnes	3 937 885		3 882 848	
Revenue (Note 18)	$1,118,374,947	$284.004	$962,792,723	$247.961
Deduct Operating Costs				
Country Elevator Carrying Charges	13,434,440	3.411	11,965,467	3.082
Terminal Storage	4,040,368	1.026	5,010,878	1.290
Demurrage / Despatch	(651,271)	(0.165)	1,294,828	0.333
Additional freight - to terminals	1,986,996	0.505	1,225,932	0.316
- freight rate change	(306,196)	(0.078)	604,658	0.156
Drying	39,904	0.010	2,180,510	0.562
Interest and Depreciation on CWB Hopper Cars	597,606	0.152	466,060	0.120
Administrative Expenses	9,910,012	2.516	6,251,570	1.610
Interest earnings	(11,046,126)	(2.805)	(8,883,675)	(2.288)
	18,005,733	4.572	20,116,228	5.181
Earnings Distributed to Producers	$1,100,369,214	$279.432	$942,676,495	$242.780
Earnings Distributed as follows:				
Initial Payments at delivery	$ 891,059,979	$226.279	$682,288,454	$175.719
Adjustment Payments	138,010,307	35.047	161,120,614	41.495
Interim Payment	23,591,190	5.991	-	-
Final Payment	47,688,676	12.110	99,260,014	25.564
Rebate on Producer Cars	19,062	0.005	7,413	0.002
	$1,100,369,214	$279.432	$942,676,495	$242.780

Exhibit IV

1997-98 POOL ACCOUNT - BARLEY
STATEMENT OF OPERATIONS AND DISTRIBUTION OF EARNINGS TO PRODUCERS
for the period August 1, 1997 to completion of operations on September 30, 1998
(with prior year comparatives for the period ended September 30, 1997)

	1997-98 Amount	1997-98 Rate per Tonne	1996-97 Amount	1996-97 Rate per Tonne
Receipts from Producers: Tonnes	261 960		2 440 097	
Revenue (Note 18)	$32,500,922	$124.068	$385,966,275	$158.177
Deduct Operating Costs				
Country Elevator Carrying Charges	2,761,565	10.542	9,362,874	3.837
Terminal Storage	1,360,008	5.192	2,462,246	1.009
Demurrage / Despatch	(46,023)	(0.176)	4,090,147	1.677
Additional freight - to terminals	624,561	2.384	1,929,869	0.791
- freight rate change	160,587	0.613	232,271	0.095
Drying	47,965	0.183	3,493,943	1.432
Interest and Depreciation on CWB Hopper Cars	39,755	0.152	292,886	0.120
Administrative Expenses	663,073	2.531	4,163,495	1.706
Interest earnings	(4,993,579)	(19.062)	(7,678,940)	(3.147)
	617,912	2.359	18,348,791	7.520
Earnings Distributed to Producers	$31,883,010	$121.709	$367,617,484	$150.657
Earnings Distributed as follows:				
Initial Payments at delivery	$28,914,535	$110.378	$339,813,142	$139.262
Adjustment Payments	339,049	1.294	13,787,821	5.651
Final Payment	2,627,839	10.031	14,006,741	5.740
Rebate on Producer Cars	1,587	0.006	9,780	0.004
	$31,883,010	$121.709	$367,617,484	$150.657

Exhibit V

1997-98 POOL ACCOUNT - DESIGNATED BARLEY
STATEMENT OF OPERATIONS AND
DISTRIBUTION OF EARNINGS TO PRODUCERS

for the period August 1, 1997 to completion of operations on September 30, 1998
(with prior year comparatives for the period ended September 30, 1997)

	1997-98		1996-97	
	Amount	Rate per Tonne	Amount	Rate per Tonne
Receipts from Producers: Tonnes	2 267 423		2 402 091	
Revenue (Note 18)	$443,390,259	$195.548	$530,873,216	$221.005
Deduct Operating Costs				
Country Elevator Carrying Charges	1,929,197	0.851	599,100	0.250
Demurrage / Despatch	(34,932)	(0.016)	219,284	0.091
Additional freight – to terminals	65,108	0.029	25,582	0.011
– freight rate change	25,439	0.011	152,268	0.063
Interest and Depreciation on CWB Hopper Cars	344,145	0.152	288,279	0.120
Administrative Expenses	5,704,875	2.516	4,084,200	1.700
Interest earnings	(4,566,046)	(2.014)	(3,043,871)	(1.267)
	3,467,786	1.529	2,324,842	0.968
Earnings Distributed to Producers	$439,922,473	$194.019	$528,548,374	$220.037
Earnings Distributed as follows:				
Initial Payments at delivery	$375,755,680	$165.719	$436,485,500	$181.711
Adjustment Payments	16,712,999	7.371	65,696,042	27.350
Interim Payment	9,070,255	4.000	-	-
Final Payment	24,989,161	11.021	15,945,563	6.638
Producer Contract Storage	13,394,378	5.908	10,421,269	4.338
	$439,922,473	$194.019	$528,548,374	$220.037

Exhibit VI

STATEMENT OF CASH FLOW
for the year ended July 31

	1998	1997
Cash Flow from Operating Activities		
Cash received from the sale of grain	$4,681,917,141	$6,110,529,489
Interest earned	85,914,491	84,865,215
Cash paid for operating costs	(159,487,605)	(241,206,097)
Add items not requiring an outlay of cash		
- depreciation	5,397,502	5,221,774
Cash flow from operating activities before working capital changes	4,613,741,529	5,959,410,381
Changes in working capital	87,691,927	(69,001,523)
	4,701,433,456	5,890,408,858
Cash Flow from Other Activities		
(Increase) decrease in accounts receivable - credit sales	(604,648,470)	234,986,289
Purchase of fixed assets	(18,949,245)	(13,783,833)
	(623,597,715)	221,202,456
Net Cash Flow before Distribution	4,077,835,741	6,111,611,314
Cash Distributed to Producers		
Cash balance undistributed in prior year	(360,396,885)	(299,275,785)
Current year balances distributed to producers prior to July 31	(4,192,264,097)	(5,593,791,723)
	(4,552,660,982)	(5,893,067,508)
Net (decrease) increase in Cash	(474,825,241)	218,543,806
Borrowings at beginning of year	(6,240,754,143)	(6,459,297,949)
Borrowings at end of year	($6,715,579,384)	($6,240,754,143)

Exhibit VII

STATEMENT OF SPECIAL ACCOUNT TRANSACTIONS
for the year ended July 31

	1998	1997
Balance of Special Account at beginning of year	$2,662,429	$3,235,545
Add transfer to Special Account from payment accounts authorized by Order-in-Council P.C. 1998-916	906,027	-
	3,568,456	3,235,545
Deduct expenditures authorized by Order-in-Council noted below	(768,897)	(562,076)
Deduct payments to Producers against old payment accounts	(7,690)	(11,040)
Balance of Special Account at end of year	$2,791,869	$2,662,429

During the year ended July 31, 1998, the balances from payment accounts for 1989 Wheat, 1989 Durum, 1988 Barley, and 1989 Barley were transferred to the Special Account under Order-in-Council P.C. 1998-916.

Details of Expenditures:

Authorized by Order-in-Council	Description of Purpose	Unexpended as at July 31, 1997	Authorized Crop Year 1997-98	Expended Crop Year 1997-98	Unexpended as at July 31,1998
P.C. 1994-1305 P.C. 1995-2202 P.C. 1998-917	Market Development	$179,229	$175,000	$186,165	$168,064
P.C. 1998-918	Canadian International Grains Institute -capital expenditures	-	120,000	111,304	8,696
P.C. 1990-1538	Scholarship Program	-	350,000	311,428	38,572
P.C. 1997-1628	Agribusiness Chair	-	160,000	160,000	-
		$179,229	$805,000	$768,897	$215,332

As at July 31, 1998 there were unexpended authorizations totalling $215,332 leaving an unallocated balance of $2,576,537.

Exhibit VIII

STATEMENT OF ADMINISTRATIVE AND GENERAL EXPENSES AND ALLOCATIONS TO OPERATIONS
for the year ended July 31

Administrative and General Expenses:	1998	1997
Advisory Committee	$ 223,861	$ 212,019
Annual report, "Grain Matters" and other CWB publications	837,476	731,974
Area representatives	371,621	375,485
Audit fees	163,000	163,000
Bonds and insurance	76,013	60,701
Car Allocation Policy Group - CWB share of operating expenses	35,000	35,000
Canadian International Grains Institute - CWB share of operating expenses	1,577,458	1,623,164
Communications and information	514,429	195,818
Computing equipment - rentals and services	8,631,539	5,762,260
Depreciation on automobiles, building, computer equipment and systems, furniture and equipment	4,415,824	2,559,696
District meetings	25,223	21,947
Human resources - salaries	21,299,537	21,386,370
Human resources - employment insurance, pension, group insurance, medical and other employee benefits	4,934,058	4,882,949
Human resources - recruitment	150,422	252,863
Human resources - training and development	699,516	203,665
Legal fees and court costs	40,419	376,808
Management consulting	1,127,400	482,812
Manitoba Health and Education Tax	546,203	472,799
Office and miscellaneous	1,071,653	1,195,881
Postage	964,019	934,771
Printing, stationery and supplies	581,542	539,379
Publications and subscriptions	449,676	325,800
Rental and lighting of offices, including maintenance of the Canadian Wheat Board building	2,165,456	2,059,766
Repair and rental of office equipment	421,720	309,214
Telecommunications	761,421	753,458
Travelling and transfer of staff	1,627,916	1,506,784
	$53,712,402	$47,424,383

During the 1997-98 crop year, the CWB incurred costs, including legal costs, totalling $2,745,874 related to the level of services complaint filed with the Canadian Transportation Agency in April 1997. These costs have been netted against proceeds from CN for this reporting period under the commercial no-fault agreement. Proceeds in excess of this amount have been included in Revenue and have been distributed to the pool accounts.

Allocation to Operations:	1998	1997
Marketing of Producers' Grain		
1997-98 Pool Accounts		
- Wheat	$22,846,839	
- Durum	5,918,531	
- Barley	393,718	
- Designated Barley	3,407,874	
1996-97 Pool Accounts		
- Wheat	14,258,604	$19,306,864
- Durum	2,807,595	3,443,975
- Barley	1,778,942	2,384,553
- Designated Barley	1,736,787	2,347,413
1995-96 Pool Accounts		
- Wheat		12,347,138
- Durum		3,768,713
- Barley		1,090,647
- Designated Barley		2,193,290
Cost allocated to pool accounts based on relative tonnage	53,148,890	46,882,593
Distributing Final Payments to Producers		
1990-91 to 1996-97 Pool Accounts (1989-90 to 1995-96 Pool Accounts for the prior year)		
- Wheat	339,989	327,032
- Durum	91,245	91,620
- Barley	74,759	65,020
- Designated Barley	57,519	58,118
Cost allocated to payment accounts based on activity	563,512	541,790
	$53,712,402	$47,424,383

Notes to Financial Statements

The following are an integral part of the financial statements.

1 ACT OF INCORPORATION AND MANDATE

The Canadian Wheat Board (CWB) was established by the *Canadian Wheat Board Act*, a statute of the Parliament of Canada. The CWB was created as an agent of Her Majesty in right of Canada for the purpose of marketing in an orderly manner, in inter-provincial and export trade, grain grown in Western Canada. The CWB is accountable for its affairs to Parliament through the Minister responsible for the Canadian Wheat Board.

Effective December 31, 1998 the CWB will no longer be an agent of Her Majesty and will no longer be a Crown corporation within the meaning of the *Financial Administration Act*.

The CWB is exempt from income taxes under Section 149(1)(d) of the *Income Tax Act*.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) **Results of operations**

The annual accounts at July 31 include the final operating results for all pool accounts for the crop year ended July 31, where marketing operations have been completed before the issuance of the annual report for that year. In determining the financial results for such pools, the accounts of the CWB at July 31 include:

Stocks of grain – Stocks of grain on hand at July 31 at the values which were ultimately received as sale proceeds.

Expenses incurred subsequent to July 31 - Provision for all expenses incurred or to be incurred in the process of marketing these stocks of grain including a charge for the portion of administrative and general expenses incurred subsequent to July 31 but relating to this marketing activity. Expenses related to marketing activities carried out subsequent to July 31 are included in accounts payable and accrued expenses. The expenses included are carrying charges, storage, interest, rail freight and other transportation charges, and administrative costs, together with all other sundry expenses incurred during the period.

Liability to producers - Balances not yet distributed to producers at July 31 where marketing operations have been completed for the 1997-98 pool accounts are included in Liability to Producers.

(b) **Allowances for losses on accounts receivable from credit sales**

The Government of Canada guarantees the repayment of the principal and interest of all receivables resulting from sales made under the Credit Grain Sales Program. On receivables resulting from sales made under the Agri-food Credit Facility, the Government of Canada guarantees a declining percentage of the receivable based on the repayment term of the credit, with the CWB assuming the risk not covered by the Government of Canada.

For receivables resulting from credit sales made outside of the Credit Grain Sales Program and the Agri-food Credit Facility, the CWB may enter into arrangements with commercial banks who will assume the credit risk, without recourse to the CWB.

As a result of the government guarantees of credit receivables and the arrangements entered into with commercial banks, no provision is made with respect to the possibility of debtors defaulting on their obligations.

(c) **Fixed assets and depreciation**

Fixed assets are recorded at cost and depreciated on a straight line method over their expected useful life as follows:

Computer equipment (to 1/20 residual value)	1 to 5 years
Automobiles (to 1/3 residual value)	2 years
Building and office alterations	3 years
Computer systems development	10 years
Office furniture and equipment	10 years
Hopper cars	30 years
Building	40 years

(d) **Translation of foreign currencies**

Sales contracts denominated in foreign currencies are hedged by foreign exchange forward and option contracts. Forward exchange contracts are translated into Canadian dollars at the rates provided therein. Purchased option contracts are translated into Canadian dollars at the higher of the option strike price or the market price net of premium. Written option contracts are translated into Canadian dollars at the option strike price when exercised by the purchaser. These amounts are recorded in Revenue as an adjustment to the underlying sales transactions. Other

income and expenses are translated at the daily exchange rates in effect during the year.

Assets and liabilities denominated in United States dollars are translated at the exchange rate in effect at the balance sheet date. The CWB hedges its United States dollar assets and liabilities on a total portfolio basis. It is the CWB's policy to manage these assets and liabilities in order to minimize net exposure to foreign currency fluctuations. Exchange adjustments arising from conversion of foreign currency denominated assets or liabilities are included in accounts payable and accrued liabilities.

Borrowings in currencies other than the Canadian or United States dollar are concurrently hedged by currency or cross-currency interest rate swap agreements and are converted into Canadian or United States dollars at the rates provided therein.

(e) **Hedging of anticipated future transactions**
The CWB has entered into wheat future and option contracts to price a portion of anticipated sales. The CWB has also entered into foreign exchange forward and option contracts in order to manage the foreign exchange risk of a portion of anticipated sales. Any settlements on these contracts form part of the net sales price and are recognized in income as an adjustment to sales revenue in the same period as the sales being hedged.

(f) **Derivative financial instruments**
In order to manage its exposure to currency and interest rate risks the CWB uses various types of derivative financial instruments such as currency and interest rate swaps and foreign exchange forward and option contracts.

Interest rate agreements - Periodic payments under swap and forward contracts are accounted for on an accrual basis with the net accrued interest receivable or payable included in borrowings. The costs of the contracts are recognized in the period in which they occur and are reported in current income as a component of interest revenue.

Foreign exchange agreements - Currency exchange settlements arising from foreign exchange agreements and the costs associated with these contracts are included in sales revenue. Contract costs and exchange rate settlements are recognized in the same pool account in which the related foreign currency transaction occurs.

(g) **Interest and bank charges**
Interest expense and bank charges incurred by the CWB in financing its activities and interest revenue earned are calculated on a full accrual basis. Interest expense and revenue are netted which is consistent with the requirement under the *Canadian Wheat Board Act* that such amounts be treated as charges or recoveries of operating costs. Net interest earnings includes interest earnings and expenses related to accounts receivable, bank charges, transaction and program fees on borrowing facilities, and interest earned on each pool account during the pool period and until final distribution to producers.

(h) **Administrative and general expenses**
Administrative and general expenses, except for that portion of such expenses attributable to distributing final payments to producers, are allocated to the various pool accounts to which the services relate on the basis of the relative tonnage. Expenses attributable to final payments are allocated on the basis of the number of producers receiving payments from the various pool accounts.

(i) **Pension plan**
Employees participate in the Public Service Superannuation Account administered by the Government of Canada. The CWB matches employees' contributions for current or prior service. These contributions are expensed during the year in which the services are rendered and represent the total pension obligations of the CWB. The CWB is not required under present legislation to make contributions with respect to any actuarial deficiencies of the Public Service Superannuation Account.

(j) **Post-employment benefits**
Employees of the CWB are entitled to specified benefits provided upon retirement or termination. The liability for these benefits is recorded in the accounts as the benefits accrue to employees. The unrecognized balance as at July 31, 1993 of $7,980,330 is being amortized on a straight line basis over ten years commencing with the 1993-94 crop year. The unrecognized balance at July 31, 1998 is $3,990,165 (1997 - $4,788,198).

3 ACCOUNTS RECEIVABLE FROM CREDIT SALES

				1998	1997
	Credit Grain Sales Program	Agri-food Credit Facility	Other Credit	Total	Total
Due from foreign customers:					
Current	$ 392,098,123	$23,801,306	$9,070,741	$ 424,970,170	$ 226,758,452
Overdue	680,004,637	-	-	680,004,637	578,518,611
Subject to a Paris Club rescheduling	-	-	-	-	283,364,048
Rescheduled	5,861,457,027	-	-	5,861,457,027	5,276,890,424
	6,933,559,787	23,801,306	9,070,741	6,966,431,834	6,365,531,535
Due from Government of Canada	56,508,146	-	-	56,508,146	52,759,975
	$6,990,067,933	$23,801,306	$9,070,741	$7,022,939,980	$6,418,291,510

The CWB sells grain on credit under the following credit arrangements in order to meet competitive pressures and to meet the needs of customers:

Credit Grain Sales Program

The CWB can sell grain on credit under this program to customers who can offer a sovereign guarantee of repayment to the CWB from their central bank or ministry of finance. The Government of Canada, in consultation with the CWB, approves country eligibility for this program and individual country credit ceilings on an annual basis. Repayment terms cannot exceed 36 months from time of shipment, and commercial rates of interest are charged. Under this program, the Government of Canada guarantees repayment of all credit receivables.

These accounts receivable arise from sales of grain to Algeria, Brazil, China, Egypt, Ethiopia, Haiti, Indonesia, Iran, Iraq, Jamaica, Pakistan, Peru, Poland, Russia and Zambia. Of the $6,933,559,787 (1997 - $6,365,531,535) principal and accrued interest due from foreign customers, $5,118,725,537 (1997 - $4,490,063,911) represents the Canadian equivalent of $3,385,624,404 (1997 - $3,258,391,808) repayable in United States funds.

Overdue accounts receivable at July 31, 1998 represent amounts due from Iraq and Pakistan where payments for past credit sales had not been received on due dates and were still outstanding at year end.

Through a forum known as the Paris Club, the Government of Canada and other creditors have periodically agreed to extend the repayment terms beyond the original maturity dates or to reduce the principal owed by a debtor country for a variety of reasons, including humanitarian concerns. All members of the Paris Club are obligated to grant the debtor country the same treatment.

Under terms agreed to by the Government of Canada at the Paris Club, the CWB has entered into agreements to reschedule certain receivables beyond their original maturity dates for Algeria, Brazil, Egypt, Ethiopia, Haiti, Jamaica, Peru, Poland, Russia and Zambia. The terms for these reschedulings vary, calling for payment of interest and rescheduled principal for periods ranging from five to 25 years. In addition to debt relief by means of extending the repayment terms, the Government of Canada has, in certain cases, agreed to reduce various levels of principal outstanding for Egypt, Ethiopia, Haiti, Poland and Zambia. Under these debt reduction arrangements, amounts that otherwise would have been paid by the debtor government are paid to the CWB by the Government of Canada. The amount of $56,508,146 (1997 - $52,759,975) due from the Government of Canada as at July 31, 1998 under these debt reduction agreements represents accrued interest from the date of the last payment. Of this amount, $31,361,591 (1997 - $28,922,874) represents the Canadian equivalent of $20,743,165 (1997 - $20,989,023) which will be repayable in United States funds.

Agri-food Credit Facility

The CWB can sell grain on credit under this facility to private importers where the importer cannot offer a sovereign guarantee of repayment. Since these transactions involve private buyers, the Government of Canada has not set country credit ceilings but evaluates each transaction on a case-by-case basis.

Under this facility, the Government of Canada guarantees a declining percentage of the receivables based on the repayment term of the credit. The CWB assumes the risk not covered by the Government of Canada. The CWB's maximum credit risk exposure under this facility at July 31, 1998 is $694,135 (1997 - $0).

Accounts receivable under this facility arise from sales to customers in Brazil and South Korea. The balance of $23,801,306 (1997 - $0) principal and accrued interest due under the Agri-food Credit Facility represents the Canadian equivalent of $15,742,646 (1997 - $0) repayable in United States funds.

Other Credit

In certain credit sales under the Credit Grain Sales Program and the Agri-food Credit Facility, the CWB will partner with commercial banks who will assume part of the credit risk of the sale, without recourse to the CWB. The risk that is shared by the bank is not guaranteed by the Government of Canada. The CWB's exposure in this type of transaction is the risk of non-performance of the commercial bank in the event of non-payment by the customer. The CWB manages this exposure by contracting only with those financial institutions having a very high credit rating.

The balance of $9,070,741 (1997 - $22,100,819) principal and interest due represents the Canadian equivalent of $5,999,564 (1997 - $16,038,331) repayable in United States funds.

Fair Value

All accounts due from credit receivables as at July 31, 1998 have contractual interest rate repricing dates under 365 days. As a result of the short terms to repricing dates of these financial instruments, fair value approximates the carrying values.

Maturities

The accounts receivable from credit sales mature as follows:

	1998	1997
Within		
1 year	$ 560,596,541	$ 373,523,321
2 years	119,734,802	63,088,244
3 years	135,868,087	95,019,027
4 years	216,649,420	123,318,138
5 years	321,654,188	206,659,378
More than 5 years	4,988,432,305	4,978,164,791
Overdue	680,004,637	578,518,611
	$7,022,939,980	$6,418,291,510

4 ACCOUNTS RECEIVABLE FROM ADVANCE PAYMENT PROGRAMS

			1998	1997
	Agricultural Marketing Programs Act	Prairie Grain Advance Payments Act	Total	Total
Due from producers:				
Principal balances outstanding	$72,227,218	-	$72,227,218	$167,255,202
Recovery of interest costs on advances over $50,000	873,380	$2,047,002	2,920,382	1,788,155
	73,100,598	2,047,002	75,147,600	169,043,357
Due from Government of Canada:				
Recovery of interest costs on advances under $50,000	10,184,013	530,284	10,714,297	446,922
Less principal collected from producers subsequent to reimbursement by Government of Canada	-	(7,767,682)	(7,767,682)	(5,705,479)
Less default interest collected from producers on behalf of Government of Canada	-	(2,200,466)	(2,200,466)	(2,209,565)
	10,184,013	(9,437,864)	746,149	(7,468,122)
	$83,284,611	($7,390,862)	$75,893,749	$161,575,235

Cash advances totalling $536,929,688 were issued by the CWB to producers under the Government of Canada's *Agricultural Marketing Programs Act* during the year ended July 31, 1998, which was the first year of the program. In previous years, cash advances were made under the Government of Canada's *Prairie Grain Advance Payments Act*. Cash advances issued by the CWB to producers under the *Prairie Grain Advance Payments Act* since 1957 total $11,316,856,057, including $874,948,103 issued during the previous crop year.

The producer pays interest on the part of the cash advance that is in excess of $50,000, and the Government of Canada pays interest on advances up to $50,000.

5 STOCKS OF GRAIN

Stocks of grain at July 31 are reported at the value ultimately received as sales proceeds as follows:

	1998	1997
Wheat	$703,173,287	$1,166,874,727
Durum	176,984,054	329,674,513
Barley	7,888,961	107,241,670
Designated Barley	58,639,720	78,346,114
	$946,686,022	$1,682,137,024

6 DEFERRED AND PREPAID EXPENSES

	1998	1997
Prepaid cost of moving inventory to eastern export position	$11,310,907	$18,063,545
Foreign exchange options premiums applicable to subsequent pool accounts	7,009,342	5,395,248
Purchase options on leased hopper cars	5,137,335	5,137,335
Deposits on commodity margin accounts	3,451,415	5,431,555
Other	3,233,836	779,590
Net results of commodity hedging activities applicable to subsequent pool accounts	(13,952,365)	3,320,546
	$16,190,470	$38,127,819

7 FIXED ASSETS

	Cost	Accumulated Depreciation	1998 Net Book Value	1997 Net Book Value
Hopper cars	$ 86,571,175	$53,386,840	$33,184,335	$36,145,393
Computer systems development	26,057,049	1,915,941	24,141,108	9,076,356
Computer equipment	11,646,958	7,040,890	4,606,068	3,708,391
Office furniture & equipment	5,560,380	3,108,365	2,452,015	1,976,143
Building and land	4,572,956	3,868,837	704,119	804,506
Building & office alterations	2,390,277	1,781,441	608,836	598,622
Automobiles	712,352	232,966	479,386	356,239
Leasehold improvements	161,883	61,021	100,862	59,336
	$137,673,030	$71,396,301	$66,276,729	$52,724,986

Two thousand hopper cars were purchased by the CWB in 1979-80 having an original cost of $90,555,623. Of these 2,000 cars, 88 cars have been wrecked and dismantled leaving 1,912 still in the fleet. The CWB is reimbursed for destroyed cars under an operating agreement with the Canadian National Railway.

8 BORROWINGS

	Effective Interest Rate (%)	1998	1997
Short term debt instruments and loans			
Canadian dollars	4.65 – 5.10	$1,653,793,348	$1,816,763,099
United States dollars ($2,604,191,482)	5.44 – 5.89	3,937,277,102	3,944,082,032
		5,591,070,450	5,760,845,131
Medium term debt instruments			
United States dollars ($743,772,031)	5.50 – 5.75	1,124,508,934	479,909,012
		$6,715,579,384	$6,240,754,143

Borrowings denominated in currencies other than the Canadian or United States dollar have been fully swapped into Canadian or United States dollars as shown above. All borrowings have contractual interest rate repricing dates under 365 days. As a result of the short term to maturity of these financial instruments, fair value approximates the carrying values.

The CWB's borrowings are undertaken with the approval of the Minister of Finance. The borrowings are direct borrowings of the CWB and thus constitute borrowings undertaken on behalf of Her Majesty in right of Canada and carry the full faith and credit of the Government of Canada.

These borrowings are used to fund the following:

	1998	1997
To finance credit sales	$7,022,939,980	$6,418,291,510
To finance Government of Canada advance payment programs:		
Agricultural Marketing Programs Act	83,284,611	-
Prairie Grain Advance Payments Act	(7,390,862)	161,575,235
Less funds on deposit from operations	(383,254,345)	(339,112,602)
	$6,715,579,384	$6,240,754,143

9 ACCOUNTS PAYABLE AND ACCRUED EXPENSES

	1998	1997
Accounts payable and accrued liabilities	$ 48,928,153	$ 12,574,974
Expenses incurred subsequent to July 31 for marketing activities on behalf of the current year pool accounts	35,155,794	62,555,310
Deferred sales revenue	33,477,791	30,642,331
	$117,561,738	$105,772,615

10 LIABILITY TO AGENTS OF THE CWB

	1998	1997
For grain purchased from producers	$582,870,509	$1,191,064,200
For deferred cash tickets	147,370,114	173,258,169
	$730,240,623	$1,364,322,369

Grain purchased from producers

Grain companies, acting in the capacity of agents of the CWB, accept deliveries from producers at country elevators and pay the producers on behalf of the CWB based on the CWB's initial price in effect. Settlement is not made by the CWB for these purchases until delivery to the CWB is completed by its agents at terminal or mill position. Liability to agents for grain purchased from producers represents the amount payable by the CWB to its agents for 3 211 587 (1997 – 6 648 763) tonnes of grain on hand at country elevator points and in transit at July 31 for which delivery to and settlement by the CWB is to be completed subsequent to the year end date.

Deferred cash tickets

Grain companies, acting in the capacity of agents of the CWB, deposit with the CWB in trust an amount equal to the deferred cash tickets issued for CWB grain. These funds are returned to the grain companies to cover producer-deferred cash tickets maturing predominantly during the first few days of the following calendar year.

11 LIABILITY TO PRODUCERS

	1998	1997
Outstanding producer cheques at July 31		
Wheat	$129,456,442	$177,196,112
Durum	54,992,362	112,295,373
Barley	56,952	3,169,751
Designated Barley	437,708	50,269,393
	184,943,464	342,930,629
Undistributed earnings to producers		
Wheat	308,092,160	231,167,373
Durum	71,298,928	99,267,427
Barley	2,629,426	14,016,521
Designated Barley	34,059,416	15,945,564
	416,079,930	360,396,885
	$601,023,394	$703,327,514

12 PROVISION FOR FINAL PAYMENT EXPENSES

The amount of $7,643,324 (1997 - $8,108,840) represents the balance of the CWB's reserve for final payment expenses of pool accounts that have been closed. Six years after particular accounts have been closed, the remaining reserves for these pools may be transferred to the special account by Order-in-Council.

13 SPECIAL ACCOUNT - NET BALANCE OF UNDISTRIBUTED PAYMENT ACCOUNTS

In accordance with the provision of Section 39 of the *Canadian Wheat Board Act*, the Governor in Council may authorize the CWB to transfer to a Special Account the unclaimed balances remaining in payment accounts which have been payable to producers for a period of six years or more. In addition to providing for payment of proper claims from producers against these old payment accounts, the Section further provides that these funds shall be used for purposes as the Governor in Council, upon the recommendations of the CWB, may deem to be for the benefit of producers.

14 LEASE COMMITMENTS

The CWB leases 2,000 covered hopper cars for the Government of Canada. All lease costs are recoverable from the government and are not a charge to the operations of the CWB. Total payments associated with leases in the year ended July 31, 1998, amounting to $20,362,628 (1997 - $18,889,422) have been recovered by the CWB. Lease terms are for 20 and 25 years, expiring in 2000 and 2006.

The CWB has entered into operating leases for certain premises. Lease terms are for a period of one to three years, expiring between December 1998 and March 2000. The CWB has the option to renew most of these leases for additional terms of up to three years. Total lease payments made in the year ended July 31, 1998 were $590,350 (1997 - $403,904).

15 UNCERTAINTY DUE TO THE YEAR 2000 ISSUE

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the entity, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

16 OFF BALANCE SHEET FINANCIAL INSTRUMENTS

The CWB enters into interest rate hedging transactions to manage its funding costs and to implement asset/liability management strategies. These transactions are designed to reduce the CWB's exposure to mismatches in revenue and expenses resulting from fluctuations in interest rates and foreign exchange. These transactions include interest rate swap contracts, cross-currency interest rate swap contracts and currency swap contracts.

The CWB also transacts foreign exchange forwards, swaps, and options with financial institutions with the objective of hedging currency exposure arising primarily from grain sales. By hedging the CWB's currency exposure, risk arising from adverse currency movements is reduced.

As at July 31, the total notional amount of these off balance sheet financial instruments, all either maturing or rate re-setting within one year, is as follows:

		1998		1997
	Notional Amounts	Fair Value	Notional Amounts	Fair Value
Interest rate contracts				
Single-currency interest rate swaps	$1,395,786,080	$15,537,820	$384,875,400	($760,671)
Cross-currency interest rate swaps	51,059,934	(5,159,871)	300,769,012	4,968,204
Currency swaps	790,526,240	(2,877,300)	710,413,893	(29,625,867)
	2,237,372,254	7,500,649	1,396,058,305	(25,418,334)
Foreign exchange contracts				
Foreign exchange forwards	911,987,863	(33,333,556)	969,526,082	(2,949,600)
Foreign exchange swaps	188,594,063	10,855	158,670,547	1,882
Foreign exchange purchased options	901,092,400	4,389,443	1,059,682,000	10,396,500
Foreign exchange sold options	450,546,200	(1,231,979)	784,082,000	(1,674,550)
	2,452,220,526	(30,165,237)	2,971,960,629	5,774,232
	$4,689,592,780	($22,664,588)	$4,368,018,934	($19,644,102)

The fair value of interest rate contracts refers to the net present value of expected future cash flows based on current market rates. These values have been derived using various methodologies including net present value analysis and quoted market prices where available. The fair value of foreign exchange contracts refers to the market value of forward contracts and the replacement value of options contracts. These estimates of fair value are extensively affected by the assumptions used and as such, should not be interpreted as realizable values in an immediate settlement of the instruments.

The CWB manages its exposure to the risk of non-performance by the counter-party by contracting only with financial institutions having a credit rating which complies with the financial risk management guidelines approved by the Board of Commissioners and the Department of Finance. In addition, the CWB uses master netting agreements, for interest rate transactions, to reduce credit risk of counter-party default.

The CWB's maximum credit risk exposure at July 31, 1998 for these classes of financial instruments is calculated as $22,353,448 (1997 - $21,366,996). Credit exposure is calculated as the sum of all positive fair values for these classes of financial instruments as of July 31.

17 RESTATEMENT OF PRIOR YEAR'S BALANCES

Certain of the prior year's balances have been restated to conform with the current year's presentation.

18 REVENUE

Net sales are calculated as follows:

(a) Wheat pool account

	1997-98		1996-97	
	Tonnes	Amount	Tonnes	Amount
Completed sales to July 31	13 947 589	$2,843,703,002	16 824 059	$3,917,408,522
Sales shipped subsequent to July 31	3 634 905	703,173,287	6 122 735	1,166,874,727
Weight losses in transit and in drying	1 039	-	34 764	-
	17 583 533	3,546,876,289	22 981 558	5,084,283,249
Deduct:				
Grain acquired from other than producers	84 739	14,534,610	67 090	12,744,146
Sales used to value prior pool account	2 297 689	444,690,666	3 157 890	840,641,828
Net sales of Wheat	15 201 105	$3,087,651,013	19 756 578	$4,230,897,275
The disposition of wheat stocks in tonnes is segregated as follows:				
Domestic sales	1 873 107		2 439 607	
Export sales	13 005 899		18 209 498	
Sales to subsequent pool account	2 703 488		2 297 689	
Weight losses in transit and in drying	1 039		34 764	
	17 583 533		22 981 558	

(b) Durum pool account

	1997-98		1996-97	
	Tonnes	Amount	Tonnes	Amount
Completed sales to July 31	3 807 048	$1,101,582,347	3 587 073	$862,701,240
Sales shipped subsequent to July 31	730 233	176,984,054	1 285 549	329,674,513
Weight losses in transit and in drying	2 166	-	10 218	-
	4 539 447	1,278,566,401	4 882 840	1,192,375,753
Deduct:				
Grain acquired from other than producers	20 634	4,986,099	20 961	4,271,236
Sales used to value prior pool account	580 928	155,205,355	979 031	225,311,794
Net sales of Durum	3 937 885	$1,118,374,947	3 882 848	$962,792,723
The disposition of durum stocks in tonnes is segregated as follows:				
Domestic sales	222 322		194 774	
Export sales	3 888 913		4 096 920	
Sales to subsequent pool account	426 046		580 928	
Weight losses in transit and in drying	2 166		10 218	
	4 539 447		4 882 840	

(c) **Barley pool account**

	1997-98 Tonnes	1997-98 Amount	1996-97 Tonnes	1996-97 Amount
Completed sales to July 31	728 352	$112,663,815	2 092 668	$351,797,407
Sales shipped subsequent to July 31	83 868	7,888,961	739 671	107,241,670
Weight losses in transit and in drying	(173)	-	8 989	-
	812 047	120,552,776	2 841 328	459,039,077
Deduct:				
Grain acquired from other than producers	1 998	208,454	21 730	3,001,277
Sales used to value prior pool account	548 089	87,843,400	379 501	70,071,525
Net sales of Barley	261 960	$32,500,922	2 440 097	$385,966,275
The disposition of barley stocks in tonnes is segregated as follows:				
Domestic sales	113 344		4 315	
Export sales	650 230		2 279 935	
Sales to subsequent pool account	48 646		548 089	
Weight losses in transit and in drying	(173)		8 989	
	812 047		2 841 328	

(d) **Designated Barley pool account**

	1997-98 Tonnes	1997-98 Amount	1996-97 Tonnes	1996-97 Amount
Completed sales to July 31	2 044 716	$397,887,327	2 005 173	$457,492,403
Sales shipped subsequent to July 31	289 137	58,639,720	417 487	78,346,114
	2 333 853	456,527,047	2 422 660	535,838,517
Deduct:				
Grain acquired from other than producers	4 251	755,802	2 294	360,701
Sales used to value prior pool account	62 179	12,380,986	18 275	4,604,600
Net sales of Designated Barley	2 267 423	$443,390,259	2 402 091	$530,873,216
The disposition of designated barley stocks in tonnes is segregated as follows:				
Domestic sales	297 275		372 017	
Export sales	1 987 932		1 988 464	
Sales to subsequent pool account	48 646		62 179	
	2 333 853		2 422 660	

Advisory Committee

Senior Management

TOP ROW:
William Nicholson-District 2, John Clair-District 5, Dan Cutforth-District 9, Terry Hanson-District 3, Micheal Halyk-District 4, Robert Ponto-District 10, Derek Dewar-District 7

BOTTOM ROW:
Arthur Macklin(Chair)-District 11, Wilfred Harder(Vice-Chair)-District 1

MISSING:
Lorne Pattison-District 8, William Rosher-District 6

TOP ROW:
Larry Nentwig-General Director, Finance, Brian White-Head, Market Analysis Group, Keith McMahon-Corporate Controller, Ward Weisensel-Assistant General Director, Transportation, Bill Spafford-General Director, Sales & Marketing Development

MIDDLE ROW:
Margaret Redmond-General Counsel and Corporate Secretary, Robert Roehle-Head, Corporate Communications, Jim McDonald-General Director, Country Services, Bob Harris-General Director, Transportation, Tami Reynolds-Head, Corporate Policy Group, Greg Hauser-Business Manager, Information Technology (contractor)

FRONT ROW:
Adrian Measner-Executive Director, Marketing, Pat Wallace-Executive Director, Human Resources, Donald Vernon-Executive Director, Finance, and Treasurer

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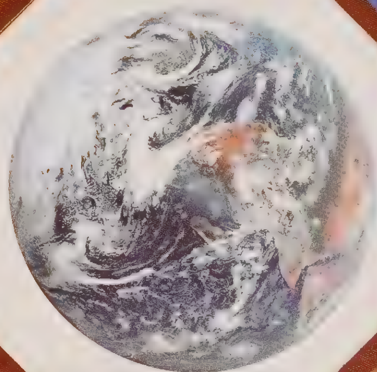
CWB

he Canadian Wheat Board

998-1999 Annual Report



Prairie strong •worldwide

CWB

Prairie strong

THE CANADIAN W

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VANCOUVER, BR

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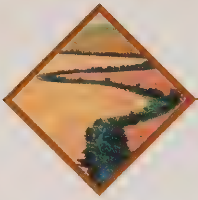
Table of contents

($ millions)	**1998-99**	1997-98	1996-97	1995-96	1994-95
Revenue	**$ 4,026.7**	$ 4,757.7	$ 6,185.8	$ 5,873.7	$ 4,638.5
Direct costs	**149.1**	170.7	266.0	187.3	267.5
Administrative expenses	**55.2**	52.9	46.4	41.4	39.6
Grain industry organizations	**1.7**	1.6	1.7	1.4	1.3
Net interest earnings	**(72.5)**	(75.9)	(82.5)	(80.9)	(66.4)
Operating costs	**133.5**	149.3	231.6	149.2	242.0
Distributed to producers	**$ 3,893.2**	$ 4,608.4	$ 5,954.2	$ 5,724.5	$ 4,396.5

Note – Comparative figures have been restated to reflect pooling points as Vancouver/St. Lawrence

Receipts from Producers *(000 tonnes)*					
Wheat	**12 513**	15 201	19 757	14 352	14 641
Durum	**4 905**	3 938	3 883	3 973	4 068
Barley	**277**	262	2 440	1 268	1 060
Designated barley	**1 922**	2 267	2 402	2 550	2 260
Total	**19 617**	21 668	28 482	22 143	22 029



How did we do?

1998-99 Goal	Result
Export 14.5 million tonnes of wheat, durum and barley.	The target of 14.5 million tonnes was surpassed, the final total exports being 15.3 million tonnes. Effective grain transportation and handling resulted in record despatch earnings of $6.6 million dollars for farmers.
Develop systems to enable farmers and the grain industry to conduct business and exchange information via the Internet.	This project was deferred because of a lack of information technology resources in grain industry organizations due to Year 2000 priorities.
Advocate changes to compensate farmers directly based on protein and moisture content in farmers' grain deliveries.	A program offering premiums to farmers for each 1/10th of a per cent increase in protein for delivery of high-grade wheat and durum was introduced on August 1, 1999. Discussions continue between the CWB and grain companies to determine the merits of a similar program based on moisture content.
Develop programs and computer systems so new producer pricing options can be offered.	Meetings were held with farmers in June 1999 to explore details on how new pricing option programs might work. CWB staff are currently determining how these options can be implemented.
Prepare CWB computer systems for the year 2000.	In June 1999 repairs and replacements of all major components of our computer systems were completed. Systems supporting critical business process have also been undergoing testing since September 1998 and this is expected to be done by October 1999. As a further precaution, ongoing monitoring and testing will continue.
Increase market share in top quality pasta and noodle markets by developing market demand for extra strong durum and hard white wheat varieties.	Market testing for extra strong durum varieties was completed, resulting in a sale to Italy. Contract programs with farmers for delivery of these varieties were introduced for the 1999-2000 crop year. Market testing for AC-Vista, a hard white wheat, continues. Small samples have been sent to customers for testing and a contract program has been introduced for 1999-2000. Other new varieties are being developed and will be market tested.
Implement a new rail car allocation system to provide more flexibility to grain companies while retaining the benefits of CWB involvement.	The CWB worked with grain companies to establish a new zone allocation system that was introduced in the fall of 1998. The transportation review by Justice Willard Estey and the ensuing Kroeger process for implementing Estey recommendations threaten to reduce CWB/farmer involvement in rail car allocation and transportation.

1998-99 Goal	Result
Work with business groups and farmers to establish value-added processing and possible joint ventures in Western Canada.	The CWB is meeting with Prairie Pasta Producers to establish a policy for New Generation Cooperatives that encourages value-added processing on the Prairies without forgoing returns to farmers. The CWB hosted a value-added conference in Winnipeg focusing on biotechnology issues.
Improve communications with farmers.	New initiatives included the following: • The Board of Directors held meetings in Red Deer and Regina so local farmers could meet their new Directors. • More information was provided on the Web site. • Focus group meetings were held with farmers to see what type of information they wanted to receive in CWB publications. • Farm groups were invited to tour the Winnipeg grain industry. • A durum conference was held for farmers in December 1998.
Advocate farmers' interests in the next round of negotiations of the World Trade Organization.	The CWB worked with trade officials in Canada and the U.S. to ensure farmer/CWB positions were known. This included participating in the preliminary WTO conference in Ottawa and inviting U.S. officials to Winnipeg to show that CWB operations are consistent with the objectives of a more liberal trade environment. The CWB position is posted on the Web at http://www.cwb.ca.

New millennium Initiatives

Vision

To create value for Prairie farmers by being an innovative world leader in marketing grain.

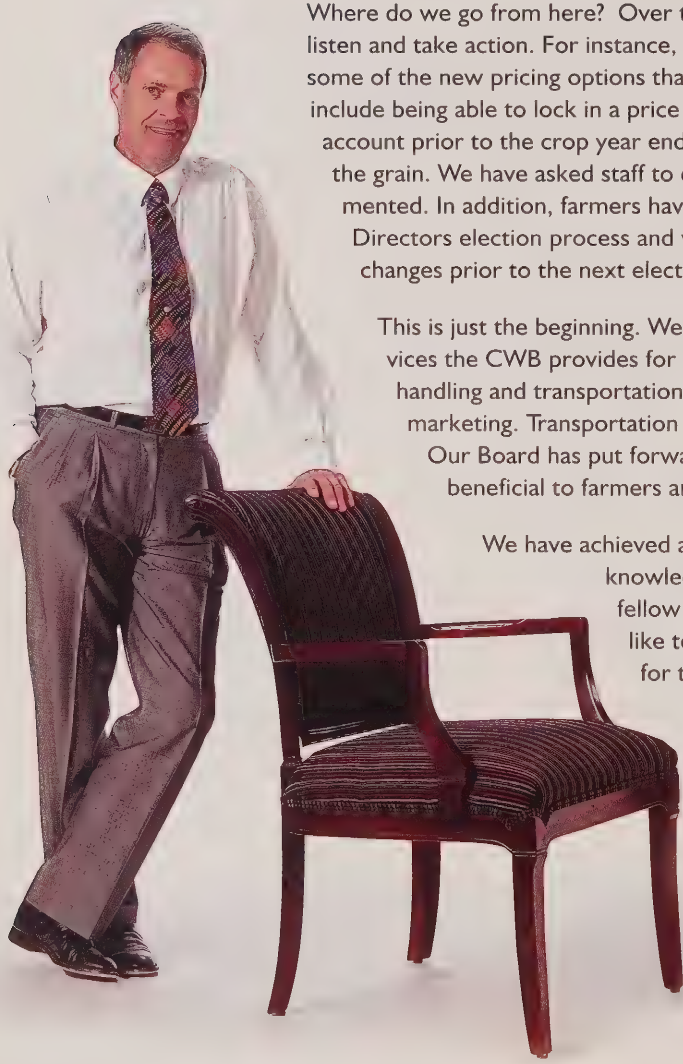
Goals

- To attract, develop and retain markets by delivering quality products and service to customers worldwide.
- To provide and demonstrate to Prairie farmers the competitive advantage of single-desk selling of wheat and barley.
- To demonstrate the CWB is controlled by Prairie farmers.
- To demonstrate accountability to Prairie farmers by seeking out, listening to and responding to their concerns.
- To be transparent by providing Prairie farmers with information including market related information, that does not jeopardize the competitive and commercial position of the CWB.
- To provide equitable opportunity for Prairie farmers to access world grain markets.
- To distribute returns to Prairie farmers in a manner consistent with the relative value of their products through mechanisms that strive for fairness and equity.
- To operate in a manner that encourages value-added initiatives on the Prairies.
- To maintain a healthy and safe work environment and provide employees opportunities for personal growth and professional excellence in an equitable manner that respects diversity.
- To actively represent Prairie farmers' interests on relevant issues to governments and industry.
- To provide industry leadership to achieve the most efficient handling and transportation system.

A letter from the Chair

This was the year that farmers officially took the helm at the Canadian Wheat Board (CWB). As one of the 10 elected farmers on the new 15-member Board of Directors, I am proof of that.

Our top priority since taking office on December 31, 1998, has been to make the CWB more open and accountable. We have taken great efforts to provide as much information as possible without compromising our commercial position. For the first time ever, this year's annual report provides extensive disclosure of the results of our financial operations and substantially more information than is provided by other companies in the Canadian and world grain industry. We have participated in more than 80 meetings in the first seven months of our mandate, including Board meetings in Red Deer and Regina. We've also invited the Auditor General of Canada to examine CWB accounts.



Where do we go from here? Over the coming months and years, we will continue to listen and take action. For instance, farmers have told us they are interested in using some of the new pricing options that the CWB legislation allows. Those options include being able to lock in a price for their grain at seeding, cashing out of the pool account prior to the crop year end or borrowing against the expected full value of the grain. We have asked staff to determine how these options could be implemented. In addition, farmers have given us their views regarding the Board of Directors election process and we intend to turn those comments into positive changes prior to the next election.

This is just the beginning. We are making changes to the programs and services the CWB provides for farmers, but we must also look at changing the handling and transportation system where it improves the efficiency of grain marketing. Transportation is a key component in serving customers' needs. Our Board has put forward positions that are contractual, commercial and beneficial to farmers and customers.

We have achieved a great deal in 1998-99 and I would like to acknowledge the enormous contribution made by my fellow Board members and the CWB staff. I would also like to thank our customers and Prairie grain growers for their confidence and continued support throughout the year.

Ken Ritter

Ken Ritter
Chair, Board of Directors

The CWB's new Board of Directors replaced the former Commissioner structure on December 31, 1998. The Board is responsible for the overall governance of the corporation and its strategic direction. This includes the setting of goals, monitoring performance and ensuring the company's internal control and reporting procedures are adequate and effective.

Composition of the Board

The Board of Directors is made up of 15 members, including 10 farmers who are elected to represent their respective districts. The Directors are elected for a four-year term, with elections in five districts every two years. The Governor-in-Council appoints the final five directors based on their business expertise.

The Board retains the responsibility for managing its own affairs including selecting the Chair. The President and CEO is appointed by the Governor-in-Council, on the advice of the Minister responsible for the Canadian Wheat Board. The Minister must consult with the Board prior to making an appointment. The Board is responsible for setting the remuneration of the President and CEO.

Board Committees

While overall responsibility for the CWB's performance is accepted by the Board as a whole, standing committees made up of Directors have been established to assist the Board in specific areas. There are currently standing committees of the Board in audit, strategic issues, communications and corporate governance. Due to the importance of transportation and trade issues, ad hoc committees were also developed to investigate these issues. Once the specific duties of the ad hoc committees are complete, they will be disbanded. Committees of the Board generally meet prior to each regularly scheduled meeting. The Chair of each standing committee will be chosen annually.

Audit and Finance Committee

Primary responsibility for the CWB's financial reporting, accounting systems and internal controls is vested in senior management and overseen by the Board of Directors. The Audit and Finance Committee duties include ensuring the CWB's accounting and financial reporting systems provide accurate and timely information, facilitating the annual audit, and ensuring financial plans, proposals and risk policies are consistent with the CWB's objectives.

CWB Board of Directors

Strategic Issues and Risk Management Committee

The role of the Strategic Issues and Risk Management Committee is to assist the Board by recommending priorities, time frames and processes for identified and defined areas of strategy, policy and corporate risk.

Communications Committee

The purpose of the Communications Committee is to assist the Board of Directors in developing strategies and policies regarding communications with farmers, industry, government, customers, employees and the general public.

Corporate Governance and Management Resources Committee

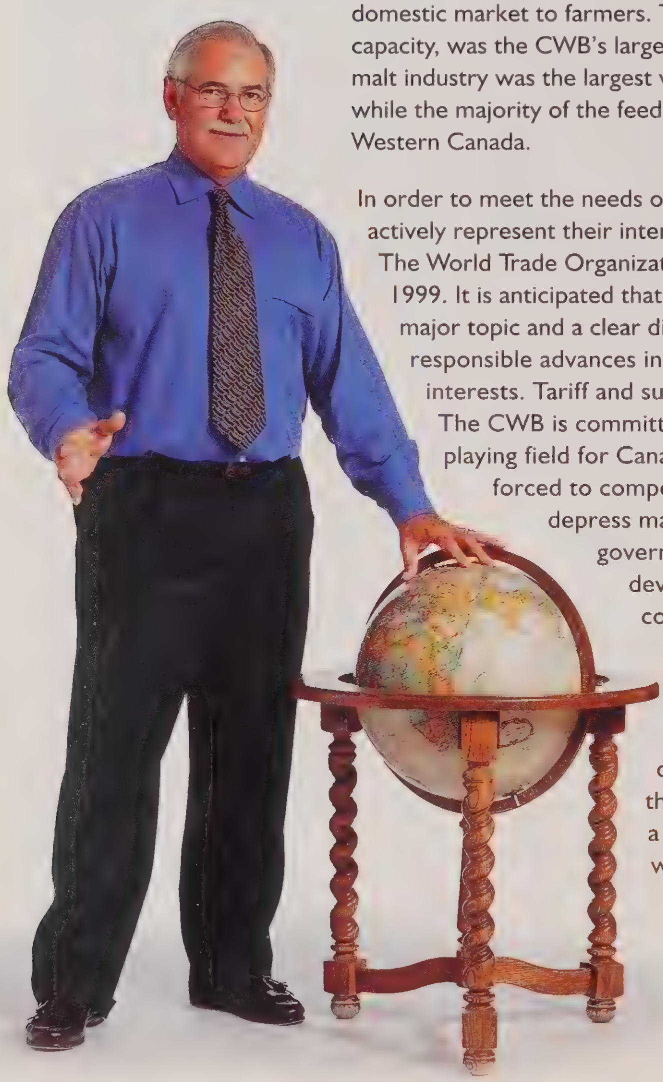
The purpose of the Corporate Governance and Management Resources Committee is to provide a focus on governance to enhance the CWB's effectiveness, to assist the Directors in fulfilling obligations relating to human resources and compensation, and to establish a senior management continuity and development plan.

A letter from the President & CEO

I consider it a privilege to have been asked to be the first President and Chief Executive Officer of what has been characterized as the "new" CWB. Based on the work through 1999, I am pleased with the progress that we have made in preparing the CWB for the future.

Every year brings with it new challenges and opportunities. The 1998-99 crop year was no exception. On the marketing front, farmers harvested one of the highest quality yet smallest crops of wheat in recent memory. Faced with smaller volumes, the CWB's marketing strategy from the beginning of the year was to pace export sales throughout the year and target the markets that provided the best return for farmers. This sales strategy was in sharp contrast to the previous year when every effort was made to move as much grain as possible in the autumn.

A fact that is often overlooked in this era of globalization is the value of Canada's domestic market to farmers. The Canadian milling industry, operating at near capacity, was the CWB's largest single customer for wheat. Similarly, the domestic malt industry was the largest volume market for Prairie farmers' malting barley while the majority of the feed barley produced was consumed by livestock in Western Canada.



In order to meet the needs of our customers and farmers, we will continue to actively represent their interests on all fronts that affect our job of marketing. The World Trade Organization negotiations are to begin in Seattle in November, 1999. It is anticipated that the issue of genetically modified crops will be a major topic and a clear direction must be established, taking into account responsible advances in technology as well as consumer concerns and interests. Tariff and subsidy imbalances will undoubtedly be on the table. The CWB is committed to open access, fair trade practices and a level playing field for Canadian producers. At present Prairie farmers are forced to compete with subsidies that distort market signals and depress market values. As well, a cooperative effort involving government and industry is underway to identify and develop new technologies that will enhance quality control systems to satisfy our customers' rising expectations.

As we confront each of these challenges the new Board of Directors will provide leadership and direction to the CWB. I have every confidence that the CWB will meet the needs of farmers by remaining a leader in marketing wheat and barley around the world.

Greg S. Arason
President and Chief Executive Officer

Senior management

The senior management team, with the Board of Directors, is responsible and accountable for developing the goals and objectives of our

business strategy. The business of marketing focuses not only on meeting the needs of our customers and farmer stakeholders today, but also on putting in place policies and programs that will serve us well into the next century. Of prime importance to our customers is providing a product that meets the needs of their changing marketplace. Equally important are the business relationships developed in providing them quality products and services. While technology has truly put us into the information age, customers largely prefer to do business face-to-face. This is still the most effective way to understand each other's business needs and maintain long-term relationships.

We also place great importance on linking farmers with their customers and their marketing organization. Every effort goes into listening to farmers and providing them with an opportunity for input into developing programs and services that meet their business needs. Many staff at the CWB are either from a farm or continue to be connected to a farming business. They are all very much aware of their responsibilities to farmers in doing the very best job.

With the change in corporate governance under the new *Canadian Wheat Board Act*, we have aligned responsibilities within the CWB under a new corporate structure. The Executive Committee is comprised of the President and Chief Executive Officer and the Executive Vice-Presidents of Marketing, Corporate Affairs, Finance, and Human Resources. The Executive Committee is responsible for the performance and management of the organization.

Within this corporate structure, departments are headed by vice-presidents who are responsible for leadership in developing and executing the programs and services to customers and farmers. Key to this success is the quality of the staff and their motivation and dedication to do the best possible job. We are continually working to improve the services we deliver and how we deliver them.

[illegible] Greg Arason, Gord Menz, [illegible]

CWB Vice-Presidents
from left to right: Ward Weisensel, Larry Nentwig, [illegible] Jim M[illegible], Tami [illegible]

Looking back at 1998-99

August 1998

The CWB announced a two-year incentive program to encourage elevator companies to pay farmers for their selected barley when they deliver it to the local elevator, rather than when the grain arrives at port or processor. Almost seventy per cent of malting barley was purchased "on the driveway" by August 1, 1999.

Durum harvest ... the Borotsik ...

In response to the early harvest, the CWB worked with Agriculture and Agri-Food Canada to implement the cash advance program two weeks earlier than originally scheduled.

The CWB offered a delivery program for fusarium-affected grain. The delivery program allowed farmers to deliver certain classes and grades of wheat and barley with fusarium damage above the tolerance levels established by the Canadian Grain Commission, while maintaining export standards and protecting customer requirements.

September 1998

The CWB proposed 10 industry solutions to Willard Estey for improved grain movement.

The Canadian Transportation Agency ruled that Canadian Pacific Railway failed to meet its service obligation regarding the delivery of grain to major corridors and that there was "undue discrimination" against CWB grain moving to Vancouver. This positive ruling was the necessary first step in recovering the damages farmers suffered during the winter of 1996-97. Later in the year, CP Rail and the CWB settled for about $15 million. The settlement will be paid to the CWB in 1999 and 2000 and will be distributed to farmers through the pool accounts.

The Governor of South Dakota announced that truck shipments of Canadian grain and livestock would be inspected at border crossings. However, the CWB did not experience any business disruptions because American customers are not served by trucks travelling through South Dakota. The majority of Canadian wheat and barley sales to the U.S. is moved by rail directly to end-users.

October 1998

The grain industry moved to a new system of rail car allocation for wheat and barley. The CWB now allocates rail cars to grain companies by zones, instead of train runs. Grain companies then determine on which train runs and at which delivery points the CWB cars will be placed and loaded. Zone allocation provides companies with increased flexibility to manage their resources, ensures the CWB's ability to originate the grain, grade and protein to meet customer requirements and provides the opportunity for increased system efficiencies.

... fundare. ... ta, Agricore ...

November 1998

CWB staff and management were given access to personal data, training, and career planning information through their personal computers. Using this technology also allowed Human Resources to improve the salary administration and recruiting process.

The annual CWB Moving Up Market Conference was held in Winnipeg to explore the vast universe of biotechnology and cereal grains. The conference delved into such topics as growing and marketing genetically enhanced crops and consumer reaction to genetically modified foods. This is part of the CWB's strategy to meet customers' concerns about genetically enhanced products while developing systems and agreements to serve all parties.

The first-ever election of a CWB Board of Directors took place. KPMG was selected by a panel of three University representatives to coordinate the election.

More than 20,000 farmers responded to the CWB's 1998-99 variety survey. The survey, mailed to farmers in June, asked farmers which varieties they seeded in 1998 and what percentage of total acres was seeded to the varieties in each class of grain. AC Barrie was the most popular Canada Western Red Spring variety. Two-row malting barley varieties accounted for 70 per cent of the total malting barley area. The survey results were posted on the CWB's Web site at http://www.cwb.ca.

Recipients of 1998-99 CWB scholarships and fellowships were recognized at annual scholarship luncheons in each of the three Prairie provinces. The CWB awards program funds a maximum of 47 students per academic year with awards totalling $350,000.

Weyburn Inland Terminal (WIT) won the CWB's Quality First Program for the second consecutive year. WIT was Western Canada's top performing supplier among all elevators for sales to the U.S., loading rail cars to specification with 99 per cent accuracy in 1997-98. With the introduction of the Quality First Program, shipping accuracy has improved from 55 per cent in 1995-96 to 97 per cent in 1998-99.

Robin Hood Flour Mills in Saskatoon, [illegible] is a major user of Prairie grown [illegible]

December 1998

The CWB's 15 new directors officially took office. Ten directors were elected by farmers, while the remaining five were appointed by the federal government based on their business expertise.

A one-day durum wheat conference was organized by the Canadian Wheat Board in Swift Current, Saskatchewan.

January, 1999

The CWB Board of Directors called on the federal government to immediately legislate a settlement to the labour-management dispute underway at the export terminals in Vancouver and along the St. Lawrence. The Directors expressed their concern that the disruption in grain exports due to a labour dispute between the Canadian Grain Commission and the Public Service Alliance of Canada was creating economic hardship across the Prairies. The labour disruption finally ended in March.

Looking back at 1998-99 (continued)

February 1999

[illegible] Manager [illegible] Geddes [illegible]

Market development efforts were expanded to include the three new wheat varieties AC Crystal, AC Vista and AC Morse. In 1999-2000 variety-specific delivery programs will be offered to farmers to ensure sufficient supplies are available to conduct extensive testing in domestic and export markets.

Concerned that the long-term objectives of Canada's quality control system are slowly being eroded, the CWB called on the federal government to increase funding to the Canadian Grain Commission.

The Directors went on the road participating in 61 "Let's talk transportation" meetings across the Prairies. The Estey report on grain handling and transportation was discussed.

March 1999

Gordon Miles was appointed Executive Vice-President of Corporate Affairs.

GrainWorld '99, the annual agriculture conference in Winnipeg sponsored and organized by the CWB, explored "Changes in Agriculture."

The CWB was the major sponsor of the "Profiting from Agricultural Change" conference in Saskatoon. More than 200 people attended the conference organized by the Agriculture Institute of Management in Saskatchewan (AIMS).

An action plan was released by the CWB to strengthen the grain supply chain and provide solutions to the transportation debate gripping Western Canada. The plan to create a marketplace in which many of the Estey recommendations could be implemented was discussed with Transport Minister David Collenette and Ralph Goodale, Minister Responsible for the CWB.

Greg Arason, President and CEO, met with members of the House of Commons Standing Committee on Agriculture and Agri-Food to express CWB concerns regarding foreign grain subsidies.

April 1999

At the Board of Directors meeting in Red Deer, Alberta, it was announced that the Auditor General of Canada will be invited to audit the CWB early in the year 2000. The audit was announced in response to farmer requests that the CWB be as open and accountable as possible.

The CWB, along with leaders of the major Prairie farm organizations, called on federal Transport Minister David Collenette to initiate a grain freight rate costing review.

The CWB and China National Cereals, Oils and Foodstuffs Import and Export Corporation (COFCO) signed a Memorandum of Agreement for Canadian milling wheat sales to China estimated at more than CDN$100 million. The agreement calls for milling wheat sales to be negotiated under normal commercial practices and at market value.

[illegible] CEO of the WB seal a memorandum of [illegible]

May 1999

The CWB Web site at http://www.cwb.ca was expanded to include real-time weather information for 115 locations across Western Canada. By the end of the crop year, 176,194 people visited the Web site and 1,184 of those people sent in questions, usually getting responses within 24 hours.

A preliminary ruling by the U.S. Commerce Department upheld that the CWB does not subsidize Canadian producers of live cattle. The ruling stated there was no evidence to suggest there was a significant price differential between Canadian and U.S. markets. The final ruling is expected in the fall of 1999.

June 1999

Ken Ritter of Kindersley, Saskatchewan was elected Chair of the Board of Directors for a one-year term.

The first "Windows to World Markets" crop demonstration took place at Oyen, Alberta. The 10 demonstration plots across the Prairies attracted more than 900 farmers.

The CWB participated as an exhibitor in the Regina Farm Progress Show. The CWB also participated in trade shows in Red Deer, Saskatoon and Brandon during the 1998-99 crop year.

Good loading performance during the crop year earned farmers $6.6 million. This marked the second consecutive year the CWB earned despatch for loading vessels ahead of schedule.

An analysis commissioned by the CWB entitled "An estimate of the contribution earned by the federal railways in 1997 and 1998 from handling of statutory grain and grain products" was released. The report showed the railways earned contributions of 45 per cent above long-run variable costs in 1997 and 44 per cent above long term variable costs in 1998. This was more than double the contribution rate of 20 per cent above long-run variable costs prescribed under the current legislation. The authors, John Edsforth, President of Travacon Research Ltd. and Ed Weinberg, President of PRR Transportation Consulting Inc., presented their findings to the working group of Arthur Kroeger's Estey implementation process.

July 1999

The CWB announced that farmers involved in New Generation Cooperatives can receive full payment for their grain upon delivery. The CWB also agreed to meet to discuss other potential options to increase value-added processing on the Prairies while benefiting farmers who grow wheat and barley.

The first vessel of the shipping season arrived in Churchill, taking about 21 000 tonnes of wheat to Mexico. The shipping season traditionally runs from August until October. In total, the CWB expects to export 350 000 tonnes of grain through the northern port.

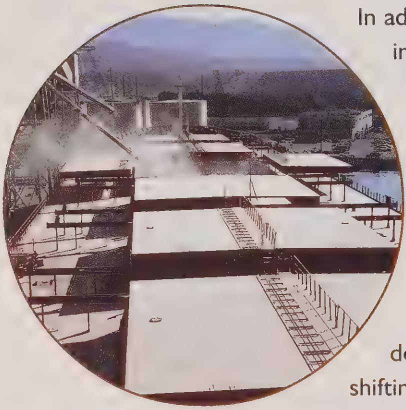
The 1-800 call centre handled 144,278 inbound and outbound telephone calls during the past 12 months. During the same period, 1,252 people toured the CWB and staff spoke at 108 external functions.

Canadian National Railways assumed ownership of Illinois Central giving them a continuous rail link from the Prairies to New Orleans. The merger provided more competitive rates allowing the CWB sales department used to capture niche markets in the Caribbean.

Management discussion & analysis

Reduced Canadian export volumes, a high grade, high protein spring wheat crop and continued weak world grain prices characterized the 1998-99 crop year.

World wheat prices were pressured in 1998-99 due to the largest world wheat supplies on record. Major exporter ending stocks increased by 35 per cent to burdensome levels. In addition, flat world wheat import demand continued in 1998-99 due to lingering economic problems in several major importing regions, particularly Southeast Asia.

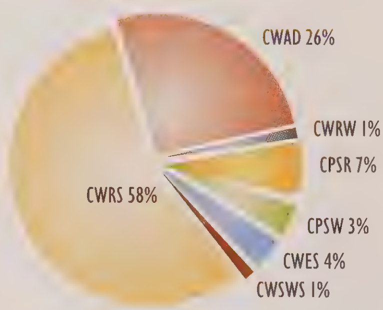


Farmers in Western Canada responded to the depressed world prices by shifting more land out of wheat and barley production in 1998. Compared to 1997, spring wheat acreage was down 17 per cent and barley acres declined 10 per cent. Durum acreage increased 32 per cent due to relatively better returns than other crops. As a result of smaller Prairie spring wheat and barley crops, CWB export volumes were down from the previous year. The CWB exported 15.2 million tonnes of grain in the 1998-99 crop year, surpassing the marketing target of 14.5 million tonnes. This was down from 21.8 million tonnes of CWB wheat and barley exports in the 1997-98 crop year.

While western Canadian farmers responded to market signals and decreased their wheat acreage in 1998, producers in other parts of the world did not. For example, producers in the European Union (EU) maintained acreage at a level similar to 1997 due to massive EU internal support and export subsidies that insulated them from world price signals.

The CWB export program was evenly distributed throughout the 1998-99 crop year. Producer delivery opportunities were matched to customer demand for a high grade, high protein crop and to maximize pool returns. A record $6.6 million in despatch was earned in the 1998-99 pool accounts, as many vessels

Wheat production by class



were loaded ahead of schedule due to the efficient management of grain shipments. The previous record was $4.6 million set in 1984-85.

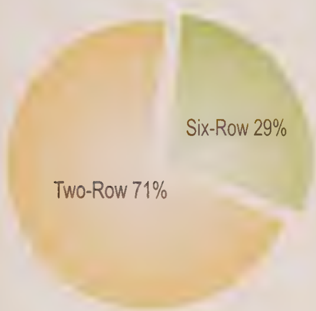
A Strong Domestic Industry

The Canadian domestic industry continues to grow in importance as a user of Prairie-grown wheat, durum and barley. For the third consecutive year the domestic milling industry was the top volume customer for wheat, taking more than 2.2 million tonnes. Domestic durum mills purchased 272 000 tonnes, making them the fifth largest customer for Canadian durum. The domestic malting industry kept its spot as the largest customer by purchasing 990 000 tonnes of designated barley (barley used for malting and human consumption). The strong domestic feed market resulted in most feed barley being used in Canada.

Westcan Malt at Alix, Alberta is a major user of Prairie-grown designated barley.

Japan, United States, Indonesia and Mexico were the largest-volume export markets for non-durum wheat. Strong sales to Algeria, United States, Morocco and Italy contributed to a durum pool of 4.9 million tonnes. Japan was the highest volume importer of feed barley and the United States was the largest importer of malting barley.

Barley production by class



5-Year sales history (in millions)

1998-99 Pool Accounts

The combined total sales revenue from the four pool accounts – wheat, durum, barley and designated barley – exceeded $4 billion on 19.6 million tonnes, maintaining the CWB's position as Canada's fifth largest exporter, by sales revenue.

Operating costs are divided into four components for easier understanding:

Direct Costs

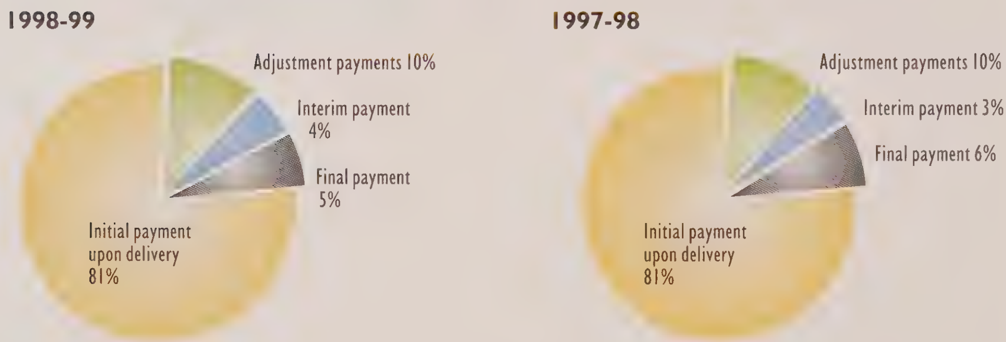
Direct costs include country carrying charges, terminal storage, demurrage net of despatch earnings, drying charges, depreciation and interest on the CWB hopper cars, and additional freight related to adverse movement to terminals, movement eastward of Thunder Bay into export position, and freight rate changes. Direct costs totalled $149 million or 3.7 per cent of sales revenue in 1998-99, compared to $171 million or 3.6 per cent of sales revenue in the previous year.

The disclosure of revenue and direct costs for each pool account now reflects the pooling points of Vancouver, Churchill and the St. Lawrence. Prior to this year, the eastern pooling point had been reported as Thunder Bay. The net impact of this change is an increase in revenue to reflect the St. Lawrence value, and separate disclosure of the net costs of moving grain beyond Thunder Bay into eastern export position as a direct cost. This change was made to present financial results on the same basis as the pooling points that are used for determining initial payment rates, and to ensure comparable values are used to measure sales revenue on the east and west coasts. Prior year comparative figures have been restated on this basis. This change does not impact the total earnings distributed to producers.

Administrative and General Expenses

Administrative and general expenses represents the allocation to the pool accounts of the cost of running the CWB. The total administrative and general expenses of $56.6 million were up nine per cent compared to 1997-98, as outlined in the section entitled *Running the CWB*. The rate per tonne of $2.81 charged to the pool

Earnings Distributed to Farmers
(by percent)



accounts is up by 15 per cent compared to last year. This is partially due to the fact that these costs are being applied to a smaller volume of grain. The volume delivered to the pool accounts was down nine per cent from the previous year.

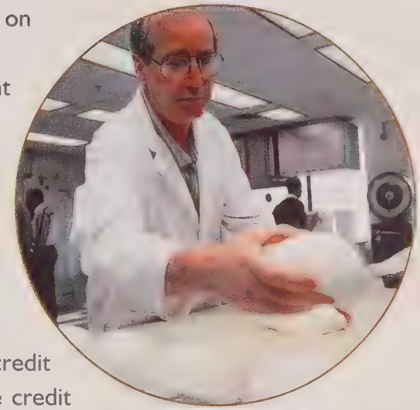
Grain Industry Organizations

The cost of grain industry organizations represents the CWB's 40 per cent share of the Canadian International Grains Institute (CIGI) operating costs and the 33 per cent share of the Car Allocation Policy Group (CAPG) operating costs. Total cost incurred during the current crop year is up five per cent over the prior year due to an increase in the operating costs for the Canadian International Grains Institute.

CIGI is a non-profit organization providing technical service and educational programs supporting market development for grain, oilseeds and pulse crops. CAPG sets policy for high level rail car allocation and all costs are shared equally by the CWB, the Western Grain Elevator Association and the railways.

Net Interest Earnings

Net interest earnings for all of the pool accounts amounted to $72.5 million in 1998-99, down slightly from $75.9 million the previous year. These arise mainly from financing credit receivables.

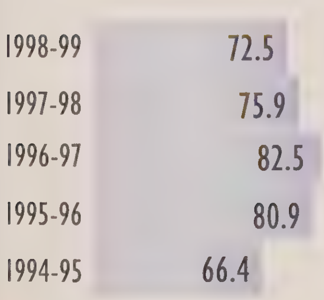


When the CWB sells grain on credit, the CWB borrows money equal to the amount extended as credit to pay farmers, rather than have the farmer wait for payment from the credit customer. The CWB borrows the money at a lower rate of interest than the rate extended to the credit customer, and thereby the credit granting activities are a source of net interest earnings which go directly into the pool accounts to be paid as part of the final payments.

Interest is also earned on the cash balances that build up in the pool accounts during the year, and is charged to customers on sales.

After deducting net operating costs of $133 million, the CWB returned almost $3.9 billion, 97 per cent of sales proceeds, back to western Canadian farmers from marketing their wheat and barley. Of the earnings distributed to producers in 1998-99, 91 per cent was returned prior to August 1, 1999, in the form of initial and adjustment payments, and designated barley producer contract storage payments. This is similar to the 1997-98 pool accounts.

Net Interest Earnings
(millions of dollars)



Distribution of sales proceeds

1998-99

Management discussion & analysis

$ per tonne, except as noted	1998-99	1997-98	Change	Per cent
Pool size (tonnes)	12 512 726	15 201 105	(2 688 379)	(18)
Sales	$ 205.71	$ 204.59	$ 1.12	1
Direct costs	5.18	5.98	(0.80)	(13)
Administrative and general expenses	2.81	2.45	0.36	15
Grain industry organizations	0.09	0.07	0.02	28
Net interest earnings	(4.15)	(3.64)	(0.51)	(14)
	3.93	4.86	(0.93)	(19)
Earnings distributed to producers	$ 201.78	$ 199.73	$ 2.05	1

An early planting season and intermittent rain during the latter part of a hot July, produced high yields, a good grade pattern and extraordinarily high protein. The warm, dry weather continued into September allowing producers to complete harvest two weeks earlier than normal. Despite the excellent growing conditions, production fell to a ten-year low of 16.4 million tonnes because of reduced spring wheat plantings. Deliveries to the wheat pool account were 12.5 million tonnes in 1998-99, down 18 per cent from the previous year.

Demand for high grade, high protein wheat is generally spread out evenly over the crop year as customers prefer consistent, reliable supplies. In 1998-99, there was a very wide price spread between high grade, high protein milling wheat and low grade, low protein wheat. To aggressively sell the crop early in the marketing year and not target quality-conscious customers throughout the year would have resulted in lower pool returns. The high grade, high protein profile of the Canada Western Red Spring (CWRS) crop therefore required steady marketing throughout the year to maximize returns. Also, our market view was that global wheat prices would recover from the lows experienced in the early fall of 1998. World wheat prices did improve from October through March, before weakening again later in the crop year.

Conversely, the CWB's marketing approach during the 1997-98 crop year had been to maximize sales and shipments early in the crop year in expectation of declining market prices. Wheat and durum prices did decline dramatically over that crop year and market lows were reached in August/September of 1998. Stock levels for both milling wheat and durum were drawn down to minimal levels at the end of the 1997-98 crop year. This limited the volumes that were available for shipment during August/September 1998, so the export program for the 1998-99 crop year was highly dependent on new-crop supplies, which normally enter export channels in October.

Direct costs to the wheat pool decreased this year by $0.80, over 13 per cent, on a per tonne basis compared to the prior year. Direct costs represented 2.5 per cent of sales revenue on a per tonne basis this year, comparing favourably to 2.9 per cent in 1997-98.

Efficient loading of grain vessels led to net despatch earnings of over $5.4 million this year, $0.43 per tonne, far surpassing last year's record of $3.7 million or $0.25 per tonne. Decreased adverse freight to terminal charges, resulting from sufficient supply of high protein wheat stocks in Alberta and western Saskatchewan to meet west coast export commitments, and reduced volume of grain shipped from east coast ports reduced additional freight costs which had positive effects on the wheat pool account. Drying charges were negligible this year due to the high quality of the wheat crop. These amounts were partially offset by higher country carrying charges this year, primarily as a result of higher average inventory levels in the country during the year.

Net interest earnings in the wheat pool account totalled $52 million for 1998-99, a decrease of six per cent compared to the previous year.

This decrease is primarily attributable to lower average cash positions in the pool account during the year as a result of a smaller pool size and a higher percentage of cash paid out in the form of initial and adjustment payments. Net interest earnings on a per tonne basis are up this year - primarily because they are applied to 18 per cent fewer tonnes.

CWB Technical Service

Worden (left) meets with Bobby Chung Ah Ngee Malayan Flour Mills in Malaysia.

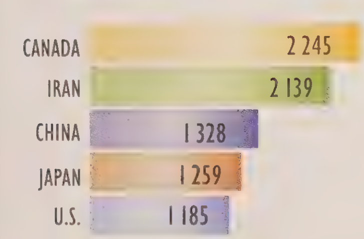
In the 1998-99 wheat pool account, 98 per cent of sales proceeds were returned to producers, consistent with the previous year. Of this amount, 92 per cent was distributed prior to August 1, 1999 through initial and adjustment payments, comparing favourably to 90 per cent the previous year.

Largest volume wheat customer countries

(000 tonnes)

1998-99

1997-98



1998-99 Wheat exports by corridor

(000 tonnes)

Management discussion & analysis

$ per tonne, except as noted	1998-99	1997-98	Change	Per cent
Pool size (tonnes)	4 904 639	3 937 885	966 754	25
Sales	**$ 220.65**	$ 297.53	$ (76.88)	(26)
Direct costs	**16.44**	18.39	(1.95)	(11)
Administrative and general expenses	**2.81**	2.45	0.36	15
Grain industry organizations	**0.09**	0.07	0.02	28
Net interest earnings	**(2.05)**	(2.81)	0.76	27
	17.29	18.10	(0.81)	(4)
Earnings distributed to producers	**$ 203.36**	$ 279.43	$ (76.07)	(27)

Farmers responded to high price premiums for durum over spring wheat by planting a record 7.2 million acres of durum in 1998. Good yields were achieved in most of the durum growing areas in Western Canada and an all-time record crop of six million tonnes was produced, up from 4.4 million tonnes in 1997. The increased western Canadian production represented the equivalent of 30 per cent of global demand. The durum pool was more than 4.9 million tonnes in 1998-99, representing an increase of 25 per cent over the previous year.

Sales Manager [illegible] lgeria [illegible] Lucidi from [illegible]

World durum wheat production increased by 25 per cent in 1998 while import demand was down 18 per cent. World ending stocks more than doubled in 1998-99 and a significant increase in U.S. stocks contributed to lower prices.

Due to the large increase in the durum pool size, all sales opportunities were pursued aggressively throughout the 1998-99 crop year. Our dominant market share in the world market increased to 66 per cent of bulk durum trade, despite a 20 per cent increase in global export supplies. Algeria was again the largest Canadian export customer, taking 1.5 million tonnes. The United States increased its imports of Canadian durum from 428 000 to 658 000 tonnes. Despite a record crop, the CWB was able to accept all but 300 000 tonnes of durum offered for delivery by farmers.

Direct costs to the durum pool account totalled $16.44 per tonne, down from $18.39 the previous year. Direct costs represented 7.4 per cent of sales revenue on a per tonne basis this year, up from 6.2 per cent in 1997-98 as a result of significantly lower sales values. Efficient loading of grain vessels contributed to net despatch earnings of $1.2 million this year, representing the second highest level in the history of this pool account. The net costs of

moving grain into eastern export position is $11.34 on a per tonne basis, down from $13.53 the prior year, as a result of a lower percentage of sales shipped from the east coast.

Net interest earnings in the durum pool account totalled $10 million for 1998-99, a decrease of nine per cent compared to the previous year. This decrease is primarily attributable to lower average cash positions in the pool account during the year as a result of lower durum values and a higher percentage of cash paid out in the form of initial and adjustment payments. Net interest earnings on a per tonne basis are down 27 per cent this year - primarily because the lower net earnings are applied to 25 per cent greater tonnes.

In the 1998-99 durum pool account, 92 per cent of sales proceeds were returned to producers, down slightly from 94 per cent in the previous year. As a result of poor harvest quality of the U.S. durum crop, values increased significantly after the end of the current crop year. Although this benefited the 1998-99 pool account values, it also ended up reducing the per cent of earnings distributed through initial and adjustment payments to 89, compared to 93 per cent the previous year.

David Iwaasa (centre) and Japanese customer Nobuyuki

Largest volume durum customer countries
(000 tonnes)

1998-99 Durum exports by corridor
(000 tonnes)

$ per tonne, except as noted	1998-99	1997-98	Change	Percent
Pool size (tonnes)	277 100	261 960	15 140	6
Sales	$ 138.39	$ 124.84	$ 13.55	11
Direct costs	8.25	19.00	(10.75)	(57)
Administrative and general expenses	2.81	2.45	0.36	15
Grain industry organizations	0.09	0.07	0.02	28
Net interest earnings	(22.34)	(18.39)	(3.95)	(21)
	(11.19)	3.13	(14.32)	(458)
Earnings distributed to producers	$ 149.58	$ 121.71	$ 27.87	23

Seeded barley acreage in Western Canada was 10.7 million acres in 1998, consistent with the ten-year average of 10.6 million acres. With above average yields, production was 11.7 million tonnes, compared to 12.5 million tonnes in 1997.

Strong demand from the Canadian domestic market reduced exportable feed barley supplies.

Due to strong demand from the Canadian domestic feed market, less feed barley was available for export in 1998-99. A tight domestic feed grain supply situation existed in 1998-99, as there was a limited amount of feed wheat available due to an excellent quality crop.

The CWB chose to sell more feed barley than it traditionally has into the domestic market because of relatively strong domestic prices. Japan was the largest export customer at 118 000 tonnes. Saudi Arabia, which had been one of Canada's largest feed barley customers, was able to source cheaper feed barley from other origins, such as the European Union and the Former Soviet Union. Deliveries to the barley account totalled 277 000 tonnes, up from 262 000 tonnes the previous year.

Direct costs to the barley pool decreased by $10.75, or 57 per cent, on a per tonne basis compared to the previous year. Direct costs represented six per cent of sales revenue on a per tonne basis this year, comparing favourably to 15.2 per cent in 1997-98. Country carrying charges and terminal storage were $7.26 per tonne in 1998-99, compared to $15.73 per tonne the previous year, as deliveries later in the crop year were moved through the grain handling system very quickly. Also contributing to the decrease were lower additional freight to terminal costs resulting from a sharp drop in barley shipments through the port of Prince Rupert.

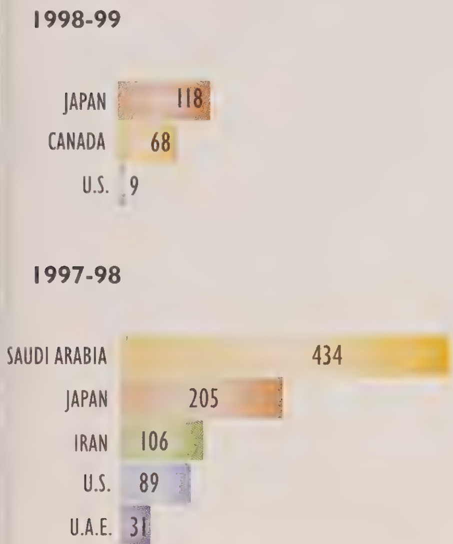
Net interest earnings in the barley pool account totalled $6.2 million for 1998-99, a 28 per cent increase compared to the previous year. This increase is primarily attributable to higher average cash positions in the pool account during the year from higher sales values and lower inventory levels. On a per tonne basis, net interest earnings totalled $22.34 in 1998-99, compared to $18.39 the previous year.

The 1998-99 barley pool account average return to producers was $149.58 per tonne, representing $11 more than average sales values achieved. This is because the majority of the net interest earnings in the barley pool account are earned from credit receivables and do not fluctuate with pool size or with the cash build-up in the pool accounts. During years when the number of tonnes in the pool account is small,

the interest earned on a per tonne basis can be substantial, and can exceed total direct costs and administrative costs resulting in net operating earnings. This was the situation in 1998-99, with 108 per cent of the barley sales proceeds returned to producers, compared to 98 per cent the previous year. Of this amount, 88 per cent was distributed prior to August 1, 1999 through initial and adjustment payments, down from 92 per cent in the previous year due in part to the uncertainty of projecting net interest earnings.

Largest volume feed barley customer countries

(000 tonnes)



1998-99 Feed barley exports by corridor

(000 tonnes)

$ per tonne, except as noted	1998-99	1997-98	Change	Per cent
Pool size (tonnes)	**1 921 667**	2 267 423	(345 756)	(15)
Sales	**$ 172.81**	$ 195.55	$ (22.74)	(12)
Direct costs	**0.71**	1.02	(0.31)	(30)
Administrative and general expenses	**2.81**	2.45	0.36	15
Grain industry organizations	**0.09**	0.07	0.02	28
Net interest earnings	**(2.24)**	(2.01)	(0.23)	(11)
	1.37	1.53	(0.16)	(10)
Earnings distributed to producers	**$ 171.44**	$ 194.02	$ (22.58)	(12)

The 1998-99 crop year was characterized by continued aggressive EU export subsidies on malting barley and malt. The EU malt export subsidy was about $125 per tonne in 1998-99 and the average export subsidy for bulk barley was about $94 per tonne. Exports of Canadian malt and malting barley in 1998-99 were down 21 per cent from the previous year. Import demand from the

world's largest buyer of malting barley, China, remained flat in 1998-99 due to a larger supply carryover and slowing economic growth. In response to aggressive competition from both Australia and the European Union, the CWB targeted customers prepared to pay a premium for Canadian varieties and quality.

▲ *China was the world's largest buyer of malting barley in 1998-99*

Receipts in the designated barley pool were 1.9 million tonnes, down from 2.3 million tonnes the previous year. Direct costs to the designated barley pool account totalled $0.71 per tonne, down from $1.02 incurred during the previous year. Direct costs represented 0.4 per cent of sales revenue on a per tonne basis this year, consistent with 0.5 per cent in 1997-98. The decrease in direct costs can be attributed primarily to a decrease in country carrying charges and terminal storage to $0.55 per tonne from $0.85 in 1997-98. In addition, the pool account earned net despatch earnings of $63,558, representing $0.03 per tonne, as a result of efficient loading of grain vessels.

Net interest earnings in the designated barley pool account totalled $4.3 million for 1998-99, a decrease of six per cent compared to the previous year. The majority of the net interest earnings in the designated barley pool account are earned on cash balances in the pool account since there are minimal designated barley credit receivables. The decrease is primarily attributable to lower average cash positions in the pool account during the year as a result of lower designated barley values. Net interest earnings on a per tonne basis, however, are up 11 per cent this year - primarily because there are 14 per cent fewer tonnes in the pool account.

In the 1998-99 designated barley pool account, over 99 per cent of sales proceeds were returned to producers, consistent with the previous year. Of this amount, 90 per cent was distributed prior to August 1, 1999 through initial and adjustment payments and producer contract storage, down slightly from 92 per cent in the previous year.

1998-99 Designated barley exports by corridor

(000 tonnes)

Largest volume designated barley customer countries

(000 tonnes)

The year 2000 presents a major challenge for computer systems around the world. The problem is that many of the world's computers use two-digit date fields and may be unable to recognize the century change from 1999 to 2000, resulting in systems failure or inaccurate results.

The CWB is a leader among Canadian businesses in dealing with this issue, having begun work to correct the problem in 1995. For the CWB, the task is both large and complex. Many of the computer systems in use at the CWB were written for the company and could not be replaced with commercially available software. As a result, significant resources have been invested in modifying computer infrastructure over the past four years, by converting some systems and replacing others.

As of July 31, 1999, the CWB had converted or replaced all of its critical systems, and had performed testing on them to ensure that they still operate in the original fashion. A subsequent phase of testing of systems that support critical business processes was completed in November 1999. As a further precaution, ongoing monitoring and testing will continue beyond this time as required. Embedded systems such as office facilities and equipment have been addressed with suppliers.

The year 2000 challenge also extends beyond safeguarding the CWB's computer systems. The CWB regularly receives information from grain elevator companies, railways, banks and grain customers via computer, and has implemented a process to assess the readiness of business partners and monitor their progress in dealing with the issue. The CWB, as a major player in the Canadian grain industry, is working towards coordinating efforts within the industry to ensure that shipments of western Canadian grain continue without disruption on January 1, 2000 and beyond.

Terry K[illegible] oversaw [illegible] Year 2000

The CWB estimates that the total cost of the year 2000 project will be $24 million. These costs have been capitalized to minimize the impact on any particular pool account. Total costs incurred to July 31, 1999 are $21.2 million, including $9.2 million incurred in the current year.

Despite the efforts taken by the CWB, and considering the uncertainty surrounding third party readiness, there cannot be absolute assurance that uncertainties caused by the year 2000 issue will not materially and adversely affect the CWB's ability to conduct normal business operations. In connection with this, the CWB developed contingency plans for the year 2000 issue. These plans are being developed to mitigate the effect of any potential problems and to ensure the continuity of CWB operations.

For the year ended July 31 (000's)	1999	1998
Advisory Committee	$ 55	$ 224
Board of Directors, including elections	2,068	–
Computer systems and services	7,874	8,632
Communications	1,339	1,743
Facilities and office services	4,710	4,907
Human resources	28,242	27,084
Other	624	450
Professional fees and outside services	2,604	1,651
Taxes	952	1,063
Travel	1,285	1,930
	49,753	47,684
Depreciation	6,836	4,416
	$ 56,589	$ 52,100

Total administrative and general expenses incurred during the year ended July 31, 1999, are up nine per cent from the previous year. This is due to the increased costs of the new corporate governance structure and increased depreciation on the investment in information systems - including costs preparing CWB systems for the year 2000.

On June 11, 1998, Bill C-4, *An Act to Amend the Canadian Wheat Board Act* changed the CWB's governance structure. Effective December 31, 1998, a Board of Directors, comprising ten elected and five appointed members, replaced the previous framework of up to five Commissioners, and the farmer-elected Advisory Committee. The costs associated with the Board of Directors include $1,242,423 for the elections held in the fall of 1998. Director remuneration totalling $432,444 and expenses related to the directors and to Board activities totalling $392,866 are outlined at the end of this section.

Marketing wheat, durum and barley requires extensive technological support systems. The cost of computer systems and services covers maintenance and operations, including the cost of computer contractors required to supplement the CWB's information technology staff. These costs were down nine per cent from the previous year, primarily due to a reduction in the number of computer contractors required during the year as some major systems development initiatives began to wind down.

As Western Canada's single-desk marketing agency, the CWB must ensure that farmers, customers, staff, media, government and the public at large are informed about the CWB and related grain and agricultural issues. Communication costs include the cost of printing and issuing the Annual Report, *Grain Matters*, customer newsletters, permit books, delivery contracts, applications and other similar documents. This category also includes advertising fees, crop demonstration sites and producer tours. These costs were down 23 per cent because fewer newsletters were published, certain publications were made available on-line, and the production costs of the 1997-98 annual report were scaled back.

The cost of operating CWB facilities and related office services was also reduced by four per cent compared to the previous year, a saving of almost $200,000. The CWB operates branch

offices in Vancouver and Regina, along with marketing offices in Beijing, China and Tokyo, Japan.

Human resource costs represent the costs associated with building and maintaining a motivated, skilled, professional work force. They comprise 50 per cent of the total cost of running the CWB and include salaries and employee benefits, the cost of recruiting staff for new and replacement positions, as well as training and development. These costs increased by four per cent compared to the previous year, due to an average salary increase of 3.5 per cent on August 1, 1998, and the cost of the severance packages for CWB Commissioners related to the termination of their appointments on December 31, 1998 under Bill C-4. There was a six per cent decrease in overall staff during the year, with 542 positions at July 31, 1999, compared to 577 the year before.

The aggregate executive officer compensation during the year ended July 31, 1999 totalled $2,511,393 as follows:

For the year ended July 31 (000's)	1999
Salaries (including severance)	$ 2,141
Benefits	370
	$ 2,511

Executive officer compensation amounts are included in human resource costs and reflect the transition in governance structure from Commissioners to a President and Chief Executive Officer. The executive officers were comprised of three Commissioners and three Executive Directors for the period from August 1 to December 31, 1998, and a President and Chief Executive Officer and four Executive Vice-Presidents for the period from December 31, 1998 to July 31, 1999.

Professional fees and outside services are comprised of the costs associated with the Corporation's annual audit, along with legal and court fees, management consulting services, temporary staffing agencies and insurance. A number of factors contributed to an increase in costs of $953,000. Legal costs were incurred to deal with trade issues related to the Harmonized Tariff Schedule, End Use Certificates, and Countervailing Duties, and to prepare new legal documentation for the CWB's borrowing programs as a result of the changes under Bill C-4, *An Act to Amend the Canadian Wheat Board Act*. During the year the CWB engaged management consulting services to review corporate risk management policies and practices. Finally, the CWB was required to obtain directors' and officers' liability insurance coverage as a result of the legislative changes to the corporate structure.

Taxes include the Manitoba Health and Education Tax that is assessed on salaries for employees based in Manitoba, along with business and property tax assessments. These costs decreased by 10 per cent compared to the previous year, primarily as a result of the City of Winnipeg's decision to lower downtown property taxes in an effort to stimulate usage of surplus property.

Travel costs are significant for a marketing agency with customers all over the globe. Travel costs were down 33 per cent this year as a result of a smaller, high quality crop and strong cost control efforts. The CWB takes advantage of reduced airfares and combines business trips whenever possible.

Depreciation expense reflects the amortization of the CWB's investment in capital assets - with the exception of the CWB hopper cars, which are charged directly to the pool accounts. Depreciation expense increased by $2.4 million this year compared to the previous year due to significant investment in new or enhanced computer systems that are critical to the

marketing of wheat, durum and barley. Major investments have been made during the current year to deal with the year 2000 issue and changes in the corporate governance structure, to provide management and staff with better information for decision making, and to permit faster closing of the pool accounts and earlier distribution of final payments. These investments are also expected to result in better integration of operations and improved cost control.

	Remuneration			Attendance		
Director	Board and Committee Retainers	Per Diems	Total	Board Meetings	Committee Meetings	Industry Meetings
Arason, Greg	N/A	N/A	N/A	9	N/A	N/A
Chatenay, James	$ 11,667	$ 16,000	$ 27,667	10	16	26
Clair, John	11,667	21,750	33,417	10	18	37
Halyk, Michael	12,834	28,750	41,584	10	14	26
Hanson, Terry	11,667	27,000	38,667	10	12	24
Harder, Wilfred	11,667	19,250	30,917	10	10	23
Heggie, Betty-Ann	11,667	11,314	22,981	9	7	–
Hill, Larry	12,834	19,125	31,959	10	11	40
Hilton, David	11,667	11,750	23,417	10	14	8
Keith, Ross	11,667	15,500	27,167	10	11	5
Macklin, Art	11,667	17,150	28,817	10	17	15
McCreary, Ian	14,000	22,750	36,750	10	18	38
Nicholson, William	11,667	21,600	33,267	10	18	17
Ritter, Ken (Chair)	15,000	19,250	34,250	10	15	41
Stanford, James	12,834	8,750	21,584	6	6	–
Total	$ 172,505	$ 259,939	$ 432,444			

For the performance of their duties, Directors are paid a basic annual retainer as well as per diem allowances. The Chair of the Board receives an annual retainer of $60,000. All other members receive $20,000, with committee chairs receiving a further $2,000. A per diem of $500 per full meeting day is also paid to each member. Directors are reimbursed for all reasonable out-of-pocket expenses including travel, accommodation and meals while performing their duties on behalf of the corporation. Elected Directors are also entitled to a maximum of $5,000 per crop year to assist them in communicating with farmers. The Chair has a salary cap of $90,000 and all other members have a cap of $50,000. These caps can only be exceeded with special Board approval.

Board of Directors' expenses totalled $392,866 during the 1998-99 crop year. Of this, travel, accommodation and meals totalled $220,896; costs incurred for the purpose of communicating directly with farmers in the Directors' respective districts totalled $24,600; and, in addition, costs totalling $147,370 were incurred for general expenses incurred by the Board or committees, not related to specific members.

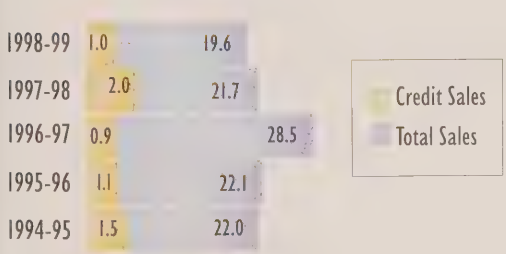
The CWB works with the federal government to develop credit programs that facilitate the sale of western Canadian grain. The federal government provides guarantees, credit limits and support program structures that will best meet this need. The CWB, acting within the guidelines established by the Department of Finance and other government departments, works closely with individual customers and commercial banks to customize credit arrangements best suited to customer needs. These arrangements are an important factor in many foreign markets. During 1998-99, credit sales comprised five per cent of total sales, compared to nine per cent in the previous year. The CWB uses the following programs to offer credit carrying commercial terms:

Credit Grain Sales Program

The Credit Grain Sales Program allows the CWB to sell grain on credit to customers who can provide a sovereign guarantee of repayment from their central bank or ministry of finance. The Government of Canada, in consultation with the CWB, establishes country eligibility and individual country credit ceilings for this program on an annual basis. Repayment terms cannot exceed 36 months from time of shipment, and commercial rates of interest are charged.

During the year ended July 31, 1999, sales made under this program totalled $95 million (1998 - $422 million). Since the Government of Canada guarantees repayment of the principal and interest of all credit receivables under this program, the CWB makes no allowance for credit losses.

CWB Credit Sales History
(millions of tonnes)



Agri-food Credit Facility

The Agri-food Credit Facility allows the CWB to sell grain, either directly or through accredited exporters, on credit to private importers where the importer cannot provide a sovereign guarantee of repayment. Since these transactions involve private buyers and their foreign banks, country credit ceilings do not apply but instead, the Government of Canada evaluates each transaction on a case-by-case basis. During the year ended July 31, 1999, sales made under this program totalled $95 million (1998 - $23 million). The Government of Canada guarantees a declining percentage of the receivables under this program based on the repayment terms of the credit, with the CWB assuming the nominal risk not covered. The entire credit risk assumed by the CWB under this program at July 31, 1999, of $1,902,971 (1998 - $694,135) is considered collectible, therefore there is no allowance for credit losses.

Other

From time to time, Canadian commercial banks may participate in assuming a portion of the credit risk associated with sales made under the above programs. In these cases, the participating bank assumes the payment risk on its portion of the credit extended without recourse to the CWB. The remaining exposure is guaranteed by the Government of Canada. During the year ended July 31, 1999, sales made under these arrangements totalled $5 million (1998 - $9 million).

The Corporation's exposure in this type of transaction is limited to the risk of non-performance of the commercial bank in the event of non-payment by the customer. This exposure is managed by contracting only with those financial institutions having a very high credit rating, and as a result there is no allowance for credit losses for these balances.

Management discussion & analysis

Funding

On June 11, 1998, the Parliament of Canada enacted Bill C-4, *An Act to Amend the Canadian Wheat Board Act*. The amended Act continued the CWB as a Shared Governance Corporation, without share capital, effective December 31, 1998, but the CWB ceased to be an Agent of Her Majesty in right of Canada as of that date. All borrowings of the Corporation are unconditionally and irrevocably guaranteed by the Minister of Finance on behalf of Her Majesty in right of Canada. Any amount required to be paid pursuant to this Statutory Guarantee is payable out of, and constitutes a charge on, the Consolidated Revenue Fund of Canada, which is the aggregate of all public moneys. CWB credit ratings were unaffected by the change in the corporate governance structure, and are listed in the table below.

Glenn Bunston and Wendi Thiessen in Treasury Operations borrow money to finance the CWB

Under the *Canadian Wheat Board Act*, and with the approval of the Minister of Finance, the CWB is empowered to borrow money by any means, including the issuing, reissuing, selling and pledging of bonds, debentures, notes and other evidences of indebtedness. The CWB's funding requirements are met primarily through four distinct borrowing programs:

- Domestic Commercial Paper Program (the "Wheat Board Note" program);
- U.S. Commercial Paper Program;
- Euro Commercial Paper Program; and
- Euro Medium-Term Note Program.

The CWB borrows money in order to finance grain inventories, credit sales, administrative and operating expenses, as well as to administer the Government of Canada's advance payment programs under the *Agricultural Marketing Programs Act* and the *Prairie Grain Advance Payments Act*. Although the CWB borrows in a variety of currencies, currency risk is eliminated by converting borrowings into either Canadian or U.S. dollars to match the assets being financed. The total debt portfolio generally fluctuates between $6 and $7 billion Canadian dollar equivalent.

The CWB continues to explore new borrowing opportunities in an ongoing effort to further reduce borrowing costs, expand and diversify investor base and maintain access to money. Since all borrowings are unconditionally and irrevocably guaranteed by the Government of Canada, money is borrowed at rates comparable to those of the Government of Canada.

Liquidity

In the course of normal operations, the CWB's funding programs provide sufficient liquidity to meet daily cash requirements. The CWB may hold highly rated short-term investments for cash management purposes to ensure that sufficient funds are available. Sufficient lines of credit are also maintained with financial institutions to provide additional access to funds.

The CWB has the following credit ratings, which are unchanged from the previous year:

Credit Ratings:	*Long-term*	*Short-term*	*Long-term*	*Short-term*
Moody's Investor Service	Aa1	P1	Aa2	P1
Standard & Poor's Ratings Group	AAA	A1+	AA+	A1+
Dominion Bond Rating Service	AAA	R-1H	AAH	R-1H
Canadian Bond Rating Service	AA+	A-1+	AA+	A-1+

management

The CWB seeks to minimize risks related to the financial operations of the corporation. Certain risks exist that may affect the ability of the CWB to meet its objectives and obligations. These risks include market risk and credit risk as described below. The CWB has controls in place to monitor and manage exposures to these risks and to ensure adherence to approved corporate policies and risk management guidelines.

Market Risk

Market risk is the risk to the CWB's financial condition resulting from adverse movements in the level or volatility of market prices. The CWB is exposed to market risk in three areas of its operations, including commodity price, foreign exchange and interest rate risk.

Commodity price risk - The CWB sold 45 per cent of 1998-99 wheat on basis contracts, which enable the CWB and the customer to manage price risk independently, and provide the customer with the ability to determine the date that the contract will be priced. The CWB manages the risk of an adverse movement in the price of grain between the time the grain is sold and when it is priced by selling grain futures contracts on regulated U.S. futures markets. Because of the nature of exchange-traded futures contracts, it is possible that the CWB may not be perfectly hedged. However, the degree of risk to the pool accounts is not significant. The CWB may also utilize exchange traded grain futures contracts to price grain where there is no opportunity to do so in the physical market. These transactions were small in volume during the year, and did not have a material effect on any pool account.

Foreign exchange risk - All CWB sales contracts are priced either directly or indirectly in U.S. dollars. Sales priced in Canadian dollars are determined in reference to the U.S. dollar value at the time of sale or when priced in the case of deferred basis contracts. The CWB hedges the risk of an adverse movement in the U.S. dollar exchange rate by entering into over-the-counter foreign exchange swap, forward and option contracts, thereby establishing the conversion rate for contracted and anticipated U.S. dollar sales.

Interest rate risk - The CWB has substantial financial assets that earn interest revenue, primarily receivables arising from the sale of grain on credit. In order to generate the required proceeds from these sales for distribution to producers during the crop year, these assets are financed predominantly through the issuance of short-term or medium-term debt. Interest rate risk exists when there is a mismatch between the terms of the assets and liabilities. In the event of a mismatch an adverse change in interest rates could reduce net interest earnings. The CWB manages this risk by financing these floating interest rate assets with debt that is converted to a floating rate of interest, thereby reducing the negative impact of an adverse change in interest rates.

Credit Risk

Credit risk is the risk of potential loss should a counter-party fail to meet its contractual obligations. The Corporation is exposed to credit risk with respect to non-guaranteed accounts receivable, investing, and derivative transactions.

Receivables - The CWB exposure to credit risk on receivables is limited to those receivables that are not guaranteed by the Government of Canada. There have been no defaults to date related to sales made under the Agri-food Credit Facility, and all amounts currently outstanding are considered collectible. The CWB exposure would be limited to the share of the receivables under this program that the Government of Canada does not guarantee. For non-guaranteed receivables where credit risk has been assumed by a commercial bank, the bank has no recourse to the CWB, and the CWB's exposure would be limited to the risk of non-performance of the commercial bank in the event of non-payment by the customer. The CWB manages this risk by contracting only with highly rated financial institutions.

Investments - The CWB manages exposure to the risk of loss from an investing counter-party by transacting investments only with highly rated counter-parties. Investments are made according to the credit rating requirements of the *Canadian Wheat Board Act* and the Minister of Finance *Credit Policy Guidelines for Crown Corporations*.

Derivative transactions - The risk of loss on derivative financial instruments is limited to the replacement cost of contracts having a positive fair value. The CWB manages exposure to the risk of non-performance of a counter-party by contracting only with highly rated financial institutions that fall within the CWB's financial risk management guidelines approved by the Minister of Finance.

Glossary of Financial Terms

Cross-currency interest rate swap - a contractual agreement for specified parties to exchange principal and fixed and floating interest rate payments, in different currencies. Notional amounts upon which the interest rate payments are based are not exchanged.

Currency swap - a contractual agreement for specified parties to exchange the cash flow of one currency for a fixed cash flow of another currency.

Derivative instrument - a contract or security that obtains much of its value from price movements in a related or underlying security, future, or other instrument or index.

Fair value - an estimate of the amount of consideration that would be agreed upon between two arm's length parties to buy or sell a financial instrument at a point in time.

Foreign exchange forward - an agreement to buy and sell currency at a specified price and date in the future.

Foreign exchange swap - a transaction in which a foreign currency is simultaneously purchased in the spot market and sold in the forward market or vice-versa.

Futures contract - a future commitment to purchase or deliver a commodity or financial instrument on a specified future date at a specified price. The futures contract is an obligation between the corporation and the organized exchange upon which the contract is traded.

Hedge - a risk management technique used to decrease the risk of adverse commodity price, interest rate or foreign exchange movements by establishing offsetting or risk-mitigating positions intended to reduce or minimize the corporation's exposure.

Liquidity - having sufficient funds available to meet corporate obligations in a timely manner.

Notional amounts - a reference amount upon which payments for derivative financial instruments are based.

Option - a contract that grants the right, but not the obligation, to buy or sell a commodity or financial instrument at a specified price at a specific point in time or during a specified period.

Risk management - the application of financial analysis and diverse financial instruments to the control and, typically, the reduction of selected types of risk.

Single currency interest rate swap - a contractual agreement for specified parties to exchange fixed interest rate payments for floating interest rate payments based on a notional value in a single currency. Notional amounts upon which the interest rate payments are based are not exchanged.

Swap - a contractual agreement to exchange a stream of periodic payments with a counter-party.

Financial results

Management report

The financial statements of the Canadian Wheat Board included in this Annual Report are the responsibility of the Corporation's management and have been reviewed and approved by the Board of Directors. Management is also responsible for all other information in the Annual Report and for ensuring that this information is consistent, where appropriate, with the information contained in the financial statements.

The financial statements have been prepared in accordance with generally accepted accounting principles appropriate in the circumstances and reflect the results for the 1998-99 pool accounts and the financial status of the Corporation at July 31, 1999.

In discharging its responsibility for the integrity and fairness of the financial statements, management maintains financial and management control systems and practices designed to provide reasonable assurance that transactions are authorized, assets are safeguarded and proper records are maintained. The system of internal control is augmented by an internal audit department that conducts periodic reviews of different aspects of the Corporation's operations.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Board of Directors exercises this responsibility through the Audit and Finance Committee of the Board, which is composed of Directors who are not employees of the Corporation. The Audit and Finance Committee meets with management, the internal auditors and the external auditors on a regular basis, and the external and internal auditors have full and free access to the Audit and Finance Committee.

The Corporation's external auditors, Deloitte & Touche LLP, are responsible for auditing the transactions and financial statements of the Corporation and for issuing their report thereon.

Greg S. Arason
President and Chief Executive Officer

Gordon P. Menzie
Executive Vice-President, Finance and Treasurer

Winnipeg, Manitoba

December 14, 1999

Auditors' report

To the Board of Directors of the Canadian Wheat Board:

We have audited the financial statements of the Canadian Wheat Board which includes the balance sheet at July 31, 1999 and the combined statement of operations and statement of distribution to producers for the 1998-99 pool accounts, the statements of operations and the statements of distribution to producers for the 1998-99 pool accounts for wheat, amber durum wheat and barley for the period August 1, 1998 to completion of operations on August 31, 1999 and for designated barley for the period August 1, 1998 to completion of operations on September 30, 1999, the statement of cash flow for the year ended July 31, 1999, and the statement of administrative and general expenses for the year ended July 31, 1999. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Canadian Wheat Board as at July 31, 1999 and the results of its operations and cash flow for the periods shown in accordance with generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants

Winnipeg, Manitoba

December 14, 1999

Financial results

As of July 31 (000's)	1999	1998
Assets		
Accounts Receivable		
Credit programs *(Note 3)*	**$ 6,875,649**	$ 7,022,940
Non-credit sales	**30,432**	17,223
Advance payment programs *(Note 4)*	**72,073**	75,894
Other	**20,961**	29,630
	6,999,115	7,145,687
Inventory of Grain *(Note 5)*	**1,105,747**	950,471
Deferred and Prepaid Expenses *(Note 6)*	**24,332**	16,190
Capital Assets *(Note 7)*	**75,665**	66,277
Total Assets	**$ 8,204,859**	$ 8,178,625
Liabilities		
Borrowings *(Note 8)*	**$ 6,768,869**	$ 6,715,579
Accounts Payable and Accrued Expenses *(Note 9)*	**137,438**	121,347
Liability to Agents *(Note 10)*	**758,523**	730,241
Liability to Producers – Outstanding Cheques *(Note 11)*	**171,055**	184,943
Liability to Producers – Undistributed Earnings *(Note 12)*	**359,020**	416,080
Provision for Producer Payment Expenses *(Note 13)*	**5,934**	7,643
Special Account – Net Balance of Undistributed Payment Accounts *(Note 14)*	**4,020**	2,792
Total Liabilities	**$ 8,204,859**	$ 8,178,625

On behalf of the Board:

Ken Ritter
Chair, Board of Directors

Greg S. Arason
President and Chief Executive Officer

Financial results

Pool Account ($000's)	1998-99	1997-98
Receipts from producers (tonnes)	19 616 132	21 668 373
Revenue (Note 18)	**$ 4,026,703**	$ 4,757,682
Operating costs		
Direct costs		
Country elevator carrying charges	**71,988**	61,377
Terminal storage	**17,960**	20,895
Despatch earnings, net of demurrage costs	**(6,662)**	(4,465)
Additional freight		
- to terminals	**4,149**	25,832
- to move grain into eastern export position	**58,530**	65,718
- from freight rate changes	**(75)**	(2,605)
Drying charges	**69**	652
CWB hopper cars – interest and depreciation	**3,163**	3,289
Total direct costs	**149,122**	170,693
Administrative and general expenses (Note 19)	**55,204**	52,902
Grain industry organizations (Note 20)	**1,699**	1,612
Net interest earnings	**(72,519)**	(75,868)
Total operating costs	**133,506**	149,339
Earnings for distribution to producers	**$ 3,893,197**	$ 4,608,343

Pool Account ($000's)	1998-99	1997-98
Earnings distributed to producers		
Initial payments on delivery	**$ 3,162,228**	$ 3,717,491
Adjustment payments	**360,688**	461,378
Interim payment	**172,410**	147,091
Final payment	**186,506**	268,890
Producer contract storage payments	**11,261**	13,394
Rebate on producer cars	**104**	99
Total earnings distributed to producers	**$ 3,893,197**	$ 4,608,343

Financial results

[illegible]

($000's, except rates per tonne)	1998-99 Amount	1998-99 Rate per Tonne	1997-98 Amount	1997-98 Rate per Tonne
Receipts from producers (tonnes)	12 512 726		15 201 105	
Revenue *(Note 18)*	**$ 2,574,023**	**$ 205.71**	$ 3,109,935	$ 204.59
Operating costs				
Direct costs				
Country elevator carrying charges	**52,656**	**4.21**	43,253	2.85
Terminal storage	**10,769**	**0.86**	15,495	1.02
Despatch earnings, net of demurrage costs	**(5,414)**	**(0.43)**	(3,733)	(0.25)
Additional freight				
- to terminals	**2,301**	**0.18**	23,155	1.52
- to move grain into eastern export position	**2,660**	**0.21**	12,410	0.81
- from freight rate changes	**(187)**	**(0.02)**	(2,486)	(0.16)
Drying charges	**36**	**0.01**	564	0.04
CWB hopper cars – interest and depreciation	**2,017**	**0.16**	2,307	0.15
Total direct costs	**64,838**	**5.18**	90,965	5.98
Administrative and general expenses *(Note 19)*	**35,214**	**2.81**	37,105	2.45
Grain industry organizations *(Note 20)*	**1,084**	**0.09**	1,131	0.07
Net interest earnings	**(51,991)**	**(4.15)**	(55,435)	(3.64)
Total operating costs	**49,145**	**3.93**	73,766	4.86
Earnings for distribution to producers	**$ 2,524,878**	**$ 201.78**	$ 3,036,169	$ 199.73

[illegible]

($000's, except rates per tonne)	1998-99 Amount	1998-99 Rate per Tonne	1997-98 Amount	1997-98 Rate per Tonne
Earnings distributed to producers				
Initial payments on delivery	**$ 2,070,448**	**$ 165.47**	$ 2,421,761	$ 159.31
Adjustment payments	**242,257**	**19.36**	306,316	20.15
Interim payment	**112,598**	**8.99**	114,430	7.53
Final payment	**99,496**	**7.95**	193,584	12.73
Rebate on producer cars	**79**	**0.01**	78	0.01
Total earnings distributed to producers	**$ 2,524,878**	**$ 201.78**	$ 3,036,169	$ 199.73

For the period August 1, 1998 to completion of operations on August 31, 1999 (with prior year comparatives for the period ended August 31, 1998)

Financial results

($000's, except rates per tonne)	1998-99 Amount	1998-99 Rate per Tonne	1997-98 Amount	1997-98 Rate per Tonne
Receipts from producers (tonnes)	4 904 639		3 937 885	
Revenue *(Note 18)*	**$ 1,082,241**	**$ 220.65**	$ 1,171,654	$ 297.53
Operating costs				
Direct costs				
Country elevator carrying charges	**16,780**	**3.42**	13,434	3.41
Terminal storage	**6,664**	**1.36**	4,040	1.03
Despatch earnings, net of demurrage costs	**(1,178)**	**(0.24)**	(651)	(0.16)
Additional freight				
- to terminals	**1,846**	**0.38**	1,987	0.50
- to move grain into eastern export position	**55,624**	**11.34**	53,279	13.53
- from freight rate changes	**76**	**0.01**	(306)	(0.08)
Drying charges	**23**	**0.01**	40	0.01
CWB hopper cars – interest and depreciation	**791**	**0.16**	598	0.15
Total direct costs	**80,626**	**16.44**	72,421	18.39
Administrative and general expenses *(Note 19)*	**13,802**	**2.81**	9,617	2.45
Grain industry organizations *(Note 20)*	**425**	**0.09**	293	0.07
Net interest earnings	**(10,030)**	**(2.05)**	(11,046)	(2.81)
Total operating costs	**84,823**	**17.29**	71,285	18.10
Earnings for distribution to producers	**$ 997,418**	**$ 203.36**	$ 1,100,369	$ 279.43

($000's, except rates per tonne)	1998-99 Amount	1998-99 Rate per Tonne	1997-98 Amount	1997-98 Rate per Tonne
Earnings distributed to producers				
Initial payments on delivery	**$ 796,906**	**$ 162.48**	$ 891,060	$ 226.28
Adjustment payments	**92,534**	**18.87**	138,010	35.05
Interim payment	**44,420**	**9.06**	23,591	5.99
Final payment	**63,535**	**12.95**	47,689	12.11
Rebate on producer cars	**23**	**0.00**	19	0.00
Total earnings distributed to producers	**$ 997,418**	**$ 203.36**	$ 1,100,369	$ 279.43

For the period August 1, 1998 to completion of operations on August 31, 1999
(with prior year comparatives for the period ended August 31, 1998)

Financial results

($000's, except rates per tonne)	1998-99 Amount	1998-99 Rate per Tonne	1997-98 Amount	1997-98 Rate per Tonne
Receipts from producers (tonnes)	**277 100**		261 960	
Revenue *(Note 18)*	**$ 38,348**	**$ 138.39**	$ 32,703	$ 124.84
Operating costs				
Direct costs				
Country elevator carrying charges	**1,602**	**5.78**	2,761	10.54
Terminal storage	**409**	**1.48**	1,360	5.19
Despatch earnings, net of demurrage costs	**(6)**	**(0.02)**	(46)	(0.17)
Additional freight				
- to terminals	**1**	**0.00**	625	2.39
- to move grain into eastern export position	**246**	**0.89**	29	0.11
- from freight rate changes	**(12)**	**(0.04)**	161	0.61
Drying charges	**–**	**–**	48	0.18
CWB hopper cars – interest and depreciation	**45**	**0.16**	40	0.15
Total direct costs	**2,285**	**8.25**	4,978	19.00
Administrative and general expenses *(Note 19)*	**781**	**2.81**	644	2.45
Grain industry organizations *(Note 20)*	**24**	**0.09**	19	0.07
Net interest earnings	**(6,192)**	**(22.34)**	(4,821)	(18.39)
Total operating costs	**(3,102)**	**(11.19)**	820	3.13
Earnings for distribution to producers	**$ 41,450**	**$ 149.58**	$ 31,883	$ 121.71

($000's, except rates per tonne)	1998-99 Amount	1998-99 Rate per Tonne	1997-98 Amount	1997-98 Rate per Tonne
Earnings distributed to producers				
Initial payments on delivery	**$ 32,897**	**$ 118.72**	$ 28,914	$ 110.38
Adjustment payments	**3,701**	**13.35**	339	1.29
Interim payment	**1,940**	**7.00**	–	–
Final payment	**2,910**	**10.50**	2,628	10.03
Rebate on producer cars	**2**	**0.01**	2	0.01
Total earnings distributed to producers	**$ 41,450**	**$ 149.58**	$ 31,883	$ 121.71

For the period August 1, 1998 to completion of operations on August 31, 1999
(with prior year comparatives for the period ended September 30, 1998)

Financial results

($000's, except rates per tonne)	1998-99 Amount	1998-99 Rate per Tonne	1997-98 Amount	1997-98 Rate per Tonne
Receipts from producers (tonnes)	1 921 667		2 267 423	
Revenue *(Note 18)*	**$ 332,091**	**$ 172.81**	$ 443,390	$ 195.55
Operating costs				
Direct costs				
Country elevator carrying charges	**950**	**0.49**	1,929	0.85
Terminal storage	**118**	**0.06**	–	–
Despatch earnings, net of demurrage costs	**(64)**	**(0.03)**	(35)	(0.02)
Additional freight				
- to terminals	**1**	**0.00**	65	0.03
- from freight rate changes	**48**	**0.02**	26	0.01
Drying charges	**10**	**0.01**	–	–
CWB hopper cars – interest and depreciation	**310**	**0.16**	344	0.15
Total direct costs	**1,373**	**0.71**	2,329	1.02
Administrative and general expenses *(Note 19)*	**5,407**	**2.81**	5,536	2.45
Grain industry organizations *(Note 20)*	**166**	**0.09**	169	0.07
Net interest earnings	**(4,306)**	**(2.24)**	(4,566)	(2.01)
Total operating costs	**2,640**	**1.37**	3,468	1.53
Earnings for distribution to producers	**$ 329,451**	**$ 171.44**	$ 439,922	$ 194.02

($000's, except rates per tonne)	1998-99 Amount	1998-99 Rate per Tonne	1997-98 Amount	1997-98 Rate per Tonne
Earnings distributed to producers				
Initial payments on delivery	**$ 261,977**	**$ 136.33**	$ 375,756	$ 165.72
Adjustment payments	**22,196**	**11.55**	16,713	7.37
Interim payment	**13,452**	**7.00**	9,070	4.00
Final payment	**20,565**	**10.70**	24,989	11.02
Producer contract storage payments	**11,261**	**5.86**	13,394	5.91
Total earnings distributed to producers	**$ 329,451**	**$ 171.44**	$ 439,922	$ 194.02

For the period August 1, 1998 to completion of operations on September 30, 1999
(with prior year comparatives for the period ended September 30, 1998)

For the year ended July 31 (000's)	1999	1998
Increases (decreases) of cash during the year		
Cash flow from operating activities		
Cash received from sale of grain	**$ 4,026,703**	$ 4,757,682
Net cash paid for operating costs	**(133,506)**	(149,338)
Add items not requiring an outlay of cash		
Depreciation on CWB hopper cars	**2,884**	2,885
Depreciation on other capital assets	**6,836**	4,416
Cash flow from operating activities before changes in working capital	**3,902,917**	4,615,645
Changes in non-cash working capital		
Accounts receivable, excluding credit sales	**(719)**	110,919
Inventory of grain	**(155,276)**	731,666
Deferred and prepaid expenses	**(8,142)**	21,937
Accounts payable and accrued expenses	**16,091**	15,573
Liability to agents	**28,282**	(634,081)
Liability to producers for outstanding cheques	**(13,889)**	(157,987)
Provision for producer payment expenses	**(1,709)**	(466)
Special account	**1,228**	129
	3,768,783	4,703,335
Cash flow from financing activities		
Increase in borrowings	**53,290**	474,825
	53,290	474,825
Cash flow from investing and other activities		
(Increase) decrease in accounts receivable – credit programs	**147,291**	(604,648)
Purchase of capital assets	**(19,400)**	(21,171)
Proceeds from sale of capital assets	**292**	320
	128,183	(625,499)
Cash distributed to producers		
Distribution of cash balances that were undistributed at beginning of year	**(416,080)**	(360,397)
Distribution of cash balances prior to July 31 related to the current year	**(3,534,176)**	(4,192,264)
	(3,950,256)	(4,552,661)
Net increase in cash and cash equivalents	–	–
Net cash position at beginning of year	–	–
Net cash position at end of year	$ –	$ –

For the year ended July 31 (000's)	1999	1998
Advisory Committee	$ 55	$ 224
Board of Directors		
Remuneration	433	–
Expenses	393	–
Elections	1,242	–
	2,068	–
Computing systems and services	7,874	8,632
Communications		
Communications and information	676	582
CWB publications – annual report, *Grain Matters*, etc.	663	1,161
	1,339	1,743
Facilities and office services		
Equipment rental and maintenance	351	422
Facilities – rental, operation and maintenance	1,614	1,649
Information support	356	408
Office services	337	389
Postage	704	640
Printing, stationery and supplies	494	595
Telecommunications	854	804
	4,710	4,907
Human resources		
Salaries	22,596	21,300
Benefits	4,820	4,934
Recruitment	123	150
Training and development	703	700
	28,242	27,084
Other		
Donations	97	78
Miscellaneous other expenses	527	372
	624	450
Professional fees and outside services		
Audit fees	163	163
Insurance	170	76
Legal fees and court costs	653	40
Management consulting	1,366	1,127
Temporary agencies	252	245
	2,604	1,651
Taxes		
Business and property taxes	415	517
Manitoba health and education tax	537	546
	952	1,063
Travel	1,285	1,930
Total before depreciation	49,753	47,684
Depreciation	6,836	4,416
Total administrative & general expenses	$56,589	$52,100

1. Act of incorporation and mandate

The Canadian Wheat Board (the Corporation) was established by the *Canadian Wheat Board Act*, a statute of the Parliament of Canada. On June 11, 1998, Bill C-4, *An Act to Amend the Canadian Wheat Board Act* continued the CWB as a Shared Governance Corporation, without share capital, effective December 31, 1998. The Corporation's mandate continues to be the marketing in an orderly manner, in inter-provincial and export trade, grain grown in Western Canada. The Corporation by virtue of its new structure is headed by a Board of Directors, comprised of ten producer elected and five government appointed members. The Corporation is accountable for its affairs to both western Canadian farmers through its elected Board members and to Parliament through the Minister responsible for the Canadian Wheat Board.

The Corporation is exempt from income taxes pursuant to Section 149(1)(d) of the *Income Tax Act*.

2. Significant accounting policies

(a) Results of Operations

The financial statements at July 31 include the final operating results for all pool accounts for the crop year ended July 31, where marketing operations have been completed before the issuance of the annual report for that year. In determining the financial results for such pools, the accounts of the Corporation at July 31 include:

Revenue – Revenue from grain sales recognized in the accounts at the time that shipment is made, at the equivalent value of the proceeds receivable at Vancouver, Churchill or the St. Lawrence. Previously, revenue for sales made on the east coast was recognized at the equivalent value at Thunder Bay. The net impact of this reclassification of costs is to increase revenue to represent the St. Lawrence value, and to disclose separately the net costs of moving grain beyond Thunder Bay into eastern export position as a direct cost. There is no impact on the earnings for distribution to producers.

Inventory – Inventory of grain on hand at July 31 at the values that were ultimately expected to be received as sale proceeds.

Expenses incurred subsequent to July 31 – Provision for all expenses incurred or to be incurred in the process of marketing these inventories of grain including a charge for the portion of administrative and general expenses incurred subsequent to July 31 but relating to this marketing activity. Expenses related to marketing activities carried out subsequent to July 31 are included in accounts payable and accrued expenses. The expenses included are carrying charges, storage, interest, transportation charges, and administrative costs, together with all other sundry expenses incurred during the period.

Liability to producers – Balances not yet distributed to producers at July 31 where marketing operations have been completed for the current pool accounts are included in Liability to Producers.

(b) Allowances for Losses on Accounts Receivable

Accounts receivable from credit programs – The Government of Canada guarantees the repayment of the principal and interest of all receivables resulting from sales made under the Credit Grain Sales Program, and a declining percentage, based on the repayment term of the credit, of

all receivables resulting from sales made under the Agri-food Credit Facility. The Corporation assumes the risk not covered by the Government of Canada. For receivables resulting from credit sales made outside of the Credit Grain Sales Program and the Agri-food Credit Facility, the Corporation may enter into arrangements with commercial banks who will assume the credit risk without recourse.

Accounts receivable from non-credit sales – Shipments are made pursuant to the receipt of appropriate letters of credit issued by commercial banks that guarantee the receipt of funds by the Corporation.

Accounts receivable from advance payment programs – The Government of Canada guarantees the repayment of the principal amount due from producers resulting from cash advances made under the *Agricultural Marketing Programs Act* and the *Prairie Grain Advance Payments Act.*

As a result of these guarantees and arrangements, no provision is made with respect to the possibility of debtors defaulting on their obligations.

(c) Capital Assets and Depreciation

Capital assets are recorded at cost and depreciated on a straight line method over their expected useful life as follows:

Computer equipment (to 1/20 residual value)	1 to 5 years
Automobiles (to 1/3 residual value)	3 years
Building and office improvements	3 years
Computer systems development	10 years
Office furniture and equipment	10 years
Hopper cars	30 years
Building	40 years
Leasehold improvements	Term of lease

(d) Translation of Foreign Currencies

All monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at exchange rates prevailing on the balance sheet date. The Corporation hedges its United States dollar assets and liabilities on a portfolio basis. Exchange adjustments arising from the translation of foreign currency denominated assets or liabilities are recognized in the period in which they occur, as a component of revenue. Borrowings in currencies other than the Canadian or United States dollar are hedged by currency exchange agreements and are converted into Canadian or United States dollars at the rates provided therein.

Sales contracts denominated in foreign currencies are hedged by foreign exchange forward and option contracts. Forward exchange contracts are translated into Canadian dollars at the rates provided therein, purchased option contracts at the higher of the option strike price or the market price net of premium, and written option contracts at the option strike price when exercised by the purchaser. These amounts are recorded in revenue as an adjustment to the underlying sales transactions.

Other income and expenses are translated at the daily exchange rates in effect during the year.

(e) Derivative Financial Instruments

The Corporation uses various types of derivative financial instruments such as currency and interest rate swaps, foreign exchange forward and option contracts, and commodity future and option contracts in order to manage its exposure to currency, interest rate and commodity price risks. These instruments are designated as hedges and are only used for risk management purposes.

Interest rate contracts – Amounts to be paid or received under swap and forward contracts are recognized in the period in which they occur, as a component of net interest earnings.

Currency exchange contracts – Amounts to be paid or received under currency exchange contracts are recognized in the same pool account in which the related foreign currency transaction occurs, as a component of sales revenue.

Commodity contracts – Amounts to be paid or received under wheat future and option contracts are recognized in the same pool account as the related sale that is being hedged, as a component of sales revenue.

(f) Net Interest Earnings

Net interest earnings includes interest revenue and expenses related to accounts receivable and borrowings, bank charges, transaction and program fees on borrowing facilities, and interest earned on each pool account during the pool period and until final distribution of earnings to producers. Interest revenue and expenses are netted which is consistent with the requirement under the *Canadian Wheat Board Act* that such amounts be treated as charges or recoveries of operating costs.

(g) Administrative and General Expenses

Administrative and general expenses, except for that portion of such expenses attributable to distributing final payments to producers, are allocated to the various pool accounts to which the services relate on the basis of the relative tonnage. Expenses attributable to final payments are allocated on the basis of the number of producers receiving payments from the various pool accounts. A portion of the administrative and general expenses incurred in the current crop year are allocated to the previous year's pool accounts to reflect the cost of marketing activities for those pool accounts during the year. A portion of the administrative and general expenses incurred in the current crop year are also allocated to the provision for payment expenses to reflect the cost of administering the payment accounts during the year.

(h) Pension Plan

Employees participate in the *Public Service Superannuation Act* pension plan administered by the Government of Canada. The Corporation matches employees' contributions for current or prior service. These contributions are expensed during the year in which the services are rendered and represent the total pension obligations of the Corporation. The Corporation is not required under present legislation to make contributions with respect to any actuarial deficiencies of the plan.

(i) Post-Employment Benefits

Employees of the Corporation are entitled to specified benefits provided upon retirement or termination.

The liability for long service allowance and unused sick leave accumulated prior to 1988 is recorded in the accounts as the benefits accrue to employees. The unrecognized balance as at July 31, 1993 of $7,980,330 is being amortized on a straight-line basis over ten years commencing with the 1993-94 crop year. The unrecognized balance at July 31, 1999 is $3,192,132 (1998 – $3,990,165).

The costs of health care and life insurance benefits for retirees are expensed as paid.

3. Accounts receivable from credit programs

	Credit Grain Sales Program	Agri-food Credit Facility	Other Credit	Total	Total
Due from foreign customers					
Current	$ 112,244	$ 79,247	$ 850	$ 192,341	$ 424,970
Overdue	714,228	–	–	714,228	680,005
Subject to Paris Club rescheduling	116,539	–	–	116,539	–
Rescheduled	5,795,377	–	–	5,795,377	5,861,457
	6,738,388	79,247	850	6,818,485	6,966,432
Due from Government of Canada	57,164	–	–	57,164	56,508
	$ 6,795,552	$ 79,247	$ 850	$ 6,875,649	$ 7,022,940
Credit risk:					
Guaranteed by Government of Canada	$ 6,795,552	$ 77,344	$ –	$ 6,872,896	$ 7,013,175
Guaranteed by commercial banks	–	–	850	850	9,071
Assumed by CWB	–	1,903	–	1,903	694
	$ 6,795,552	$ 79,247	$ 850	$ 6,875,649	$ 7,022,940

The Corporation's maximum exposure to credit risk related to these accounts receivable is limited to $1,902,971 (1998 – $694,135). The credit risk for all other balances is assumed by either the Government of Canada guarantee of principal and interest balances resulting from sales made under the Credit Grain Sales Program and the Agri-food Credit Facility, or by commercial banks who have assumed part of the credit risk without recourse to the Corporation.

Accounts receivable balances are classified under the applicable credit programs:

Credit Grain Sales Program

Accounts receivable under this program arise from sales to Algeria, Brazil, Egypt, Ethiopia, Haiti, Iran, Iraq, Jamaica, Pakistan, Peru, Poland, Russia and Zambia. Of the $6,738,388,380 (1998 – $6,933,559,787) principal and accrued interest due from foreign customers, $4,924,152,682 (1998 – $5,118,725,537) represents the Canadian equivalent of $3,269,038,493 (1998 – $3,385,624,404) repayable in United States funds.

Overdue accounts receivable at July 31, 1999 represent amounts due from Jamaica, Iraq and Pakistan where payments for past credit sales had not been received on due dates and were still outstanding at year end.

Through a forum known as the Paris Club, the Government of Canada and other creditors have periodically agreed to extend the repayment terms beyond the original maturity dates or to reduce the principal owed by a debtor country for a variety of reasons, including humanitarian concerns. All members of the Paris Club are obligated to grant the debtor country the same treatment. Under terms agreed to by the Government of Canada at the Paris Club, the Corporation has entered into agreements to reschedule certain receivables beyond their original maturity dates for Algeria, Brazil, Egypt, Ethiopia, Haiti, Jamaica, Pakistan, Peru, Poland, Russia and Zambia. The terms for these reschedulings vary, calling for payment of interest and rescheduled principal for periods ranging from five to 25 years.

Also under terms agreed to by the Government of Canada at the Paris Club, the Corporation will be entering into an agreement with Russia to reschedule certain receivables totalling $116,539,325 at July 31, 1999 beyond their

original maturity dates under previous rescheduling agreements. This amount is classified as subject to Paris Club rescheduling until the agreement is signed.

In addition to debt relief by means of extending the repayment terms, the Government of Canada has, in certain cases, agreed to reduce the debt owed to the Corporation by Egypt, Ethiopia, Haiti, Poland and Zambia. Under these debt reduction arrangements, amounts that otherwise would have been paid by the debtor government are paid to the Corporation by the Government of Canada. A total of $57,164,229 (1998 – $56,508,146) was due from the Government of Canada as at July 31, 1999 under these debt reduction agreements. Of this amount, $30,211,715 (1998 – $31,361,591) represents the Canadian equivalent of $20,056,904 (1998 – $20,743,165) which will be repayable in United States funds.

There is no allowance for credit losses, as the Government of Canada guarantees repayment of the principal and interest of all credit receivables under this program.

Agri-food Credit Facility

Accounts receivable under this facility arise from sales to customers in Brazil, China, Indonesia, South Korea and Peru. The balance of $79,246,559 (1998 – $23,801,306) principal and accrued interest due under the Agri-food Credit Facility represents the Canadian equivalent of $52,610,077 (1998 – $15,742,646) repayable in United States funds.

The maximum exposure to credit risk under this facility at July 31, 1999 is $1,902,971 (1998 – $694,135), representing the risk not covered by the Government of Canada. Management considers this balance collectible in its entirety therefore there is no allowance for credit losses.

Other Credit

Accounts receivable under this category arise from sales made to South Korea. The balance of $850,074 (1998 – $9,070,741) principal and interest due represents the Canadian equivalent of $564,346 (1998 – $5,999,564) repayable in United States funds.

For certain credit sales made under the Credit Grain Sales Program and the Agri-food Credit Facility, the Corporation will partner with commercial banks who will assume part of the credit risk of the sale, without recourse to the Corporation. The risk that is shared by the bank is not guaranteed by the Government of Canada. The Corporation's exposure in this type of transaction is the risk of non-performance of the commercial bank in the event of non-payment by the customer. This exposure is managed by contracting only with highly rated financial institutions. As a result, there is no allowance for credit losses.

Fair Value

All accounts receivable resulting from sales made under credit programs as at July 31, 1999 have contractual interest rate repricing dates under 365 days. As a result of the short terms to repricing dates of these financial instruments, fair value approximates the carrying values.

Maturities

These accounts receivable mature as follows:

Amounts due:		
within 1 year	**$ 502,112**	$ 560,597
from 1 - 2 years	**147,653**	119,735
from 2 - 3 years	**216,063**	135,868
from 3 - 4 years	**320,803**	216,649
from 4 - 5 years	**417,565**	321,654
over 5 years	**4,557,225**	4,988,432
overdue	**714,228**	680,005
	$ 6,875,649	$ 7,022,940

4. Accounts receivable from advance payment programs

	Agricultural Marketing Programs Act	Prairie Grain Advance Payments Act	Total	Total
Due from Producers				
Principal balances outstanding	**$ 72,641**	**$ –**	**$ 72,641**	$ 72,227
	72,641	**–**	**72,641**	72,227
Due from (to) Government of Canada				
Recovery of interest costs on advances under $50,000	**1,502**	**(38)**	**1,464**	10,714
Principal collected from producers subsequent to reimbursement by Government of Canada	**(413)**	**(419)**	**(832)**	(7,767)
Interest on defaulted accounts collected from producers on behalf of Government of Canada	**(1,149)**	**(51)**	**(1,200)**	720
	(60)	**(508)**	**(568)**	3,667
	$ 72,581	**$ (508)**	**$ 72,073**	$ 75,894

Cash advances issued by the Corporation to producers under the Government of Canada's *Agricultural Marketing Programs Act* program since its inception in 1997 total $1,006,067,422, including $469,137,734 issued during the current year. Previous to 1997, cash advances were made under the Government of Canada's *Prairie Grain Advance Payments Act*.

Cash advances issued by the Corporation under the *Prairie Grain Advance Payments Act* since 1957 total $11,316,856,057.

The Government of Canada pays interest on advances up to $50,000, and the producer pays interest on any amounts in excess of $50,000.

5. Inventory of grain

Inventory of grain at July 31 is reported at the values that were ultimately expected to be received as sale proceeds as follows:

Wheat	$ 702,649	$ 700,206
Durum	350,848	183,745
Barley	18,838	7,880
Designated barley	33,412	58,640
	$ 1,105,747	$ 950,471

6. Deferred and prepaid expenses

Prepaid cost of moving inventory to eastern export position	$ 16,515	$ 11,311
Purchase and lease-renewal options on leased hopper cars	5,137	5,137
Deposits on commodity margin accounts	3,271	3,451
Other	2,629	3,234
Foreign exchange options premiums applicable to subsequent pool accounts	–	7,009
Net results of commodity hedging activities applicable to subsequent pool accounts	(3,220)	(13,952)
	$ 24,332	$ 16,190

7. Capital assets

	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Computer systems development	$ 43,077	$ 5,255	$ 37,822	$ 24,141
Hopper cars	86,345	56,124	30,221	33,184
Computer equipment	12,525	8,289	4,236	4,606
Furniture & equipment	4,720	2,673	2,047	2,452
Land, building and improvements	7,288	6,286	1,002	1,313
Automobiles	621	306	315	480
Leasehold improvements	139	117	22	101
	$ 154,715	$ 79,050	$ 75,665	$ 66,277

Two thousand hopper cars were purchased by the Corporation in 1979-80 having an original cost of $90,555,623. Of these 2,000 cars, 93 cars have been wrecked and dismantled leaving 1,907 still in the fleet. The Corporation is reimbursed for destroyed cars under an operating agreement with the Canadian National Railway.

During the year ended July 31, 1999, the Corporation invested $17,019,691 in computer systems development, including $9,208,166 related to the year 2000 issue. The balance of $7,811,525 includes significant investment in systems that manage financial and inventory information, pay farmers for their grain based on finer protein levels, and allocate railcars by zone rather than by train run.

8. Borrowings

	Effective Interest Rate (%)		
Commercial paper borrowings			
Canadian Commercial Paper Program		**$ 2,297,476**	$ 1,729,859
United States Commercial Paper Program		**1,860,756**	2,234,072
Euro Commercial Paper Program		**1,972,674**	1,798,043
Euro Medium Term Notes Program		**1,223,784**	1,124,509
Total commercial paper borrowings	4.29 – 5.64	**7,354,690**	6,886,483
Bank lines and other	4.62 – 4.83	**244,075**	83,979
Accrued interest	–	**81,914**	72,841
Total borrowings	4.29 – 5.64	**7,680,679**	7,043,303
Less investments	4.76 – 5.13	**(911,810)**	(327,724)
Net borrowings	**4.29 – 5.64**	**$ 6,768,869**	$ 6,715,579

The Corporation's borrowings are undertaken with the approval of the Minister of Finance. The borrowings are unconditionally and irrevocably guaranteed by the Minister of Finance on behalf of Her Majesty in right of Canada through an explicit guarantee included in the *Canadian Wheat Board Act*.

Borrowings denominated in currencies other than the Canadian or United States dollar have been fully swapped into Canadian or United States dollars. Of the above amount, $5,055,432,986 (1998 – $5,061,786,036) represents the Canadian equivalent of $3,356,192,648 (1998 – $3,347,963,513) which will be repayable in United States funds.

These borrowings mature as follows:

Amounts due:		
within 1 year	**$ 7,179,919**	$ 6,090,806
from 1 – 2 years	**376,575**	266,094
from 2 – 3 years	–	377,975
from 3 – 4 years	–	–
from 4 – 5 years	–	–
over 5 years	**124,185**	308,428
	$ 7,680,679	$ 7,043,303

All borrowings have contractual interest rate repricing dates under 365 days. As a result of the financial instruments, fair value approximates the carrying values.

9. Accounts payable and accrued expenses

Accounts payable and accrued liabilities	**$ 45,971**	$ 48,928
Expenses incurred subsequent to July 31 for marketing activities on behalf of the current year pool accounts	**56,465**	38,941
Deferred sales revenue	**35,002**	33,478
	$ 137,438	$121,347

10. Liability to agents

For grain purchased from producers	**$ 674,620**	$ 582,871
For deferred cash tickets	**83,903**	147,370
	$ 758,523	$ 730,241

Grain Purchased from Producers

Grain companies, acting in the capacity of agents of the Corporation, accept deliveries from producers at country elevators and pay the producers on behalf of the Corporation based on the initial payment rates that are in effect at the time. The Corporation does not make settlement for these purchases until the grain is delivered to the Corporation by the agents at terminal or mill position. The liability to agents for grain purchased from producers represents the amount payable by the Corporation to its agents for 3 776 084 (1998 – 3 211 587) tonnes of grain on hand at country elevator points and in transit at July 31 for which delivery to and settlement by the Corporation is to be completed subsequent to the year end date.

Deferred Cash Tickets

Grain companies, acting in the capacity of agents of the Corporation, deposit in trust with the Corporation an amount equal to the value of deferred cash tickets issued to producers for CWB grain. The Corporation returns these funds to the grain companies to cover producer-deferred cash tickets maturing predominantly during the first few days of the following calendar year.

11. Liability to producers – outstanding cheques

Outstanding Producer Cheques at July 31		
Wheat	**$ 91,542**	$ 129,456
Durum	**59,042**	54,992
Barley	**4,437**	57
Designated barley	**16,034**	438
	$ 171,055	$ 184,943

Of the outstanding producer cheques totalling $171,054,572 at July 31, 1999, the balance of $165,004,956 is from the 1998-99 adjustment payment cheques dated July 27, 1999.

Of the outstanding producer cheques totalling $184,943,465 at July 31, 1998, the balance of $172,711,922 is from the 1997-98 adjustment payment cheques dated July 28, 1998.

12. Liability to producers – undistributed earnings

[illegible]	[illegible]	[illegible]
Earnings distributed as interim payment		
Wheat	**$ 112,598**	$ 114,430
Durum	**44,420**	23,591
Barley	**1,940**	–
Designated barley	**13,452**	9,070
	172,410	147,091
Earnings distributed as final payment and producer car rebate		
Wheat	**99,575**	193,662
Durum	**63,558**	47,708
Barley	**2,912**	2,630
Designated barley	**20,565**	24,989
	186,610	268,989
	$ 359,020	$ 416,080

Of the undistributed earnings to producers totalling $359,019,988 (1998 – $416,079,930) at July 31, 1999, $172,409,023 (1998 – $147,091,701), representing 48% (1998 – 35%) of the outstanding balance, was distributed to producers in an interim payment on October 26, 1999 (1998 – October 20, 1998). The balance of $186,610,965 (1998 – $268,988,229) will be distributed to producers through final payments and producer car rebates on January 4, 2000.

13. Provision for producer payment expenses

The amount of $5,934,196 (1998 – $7,643,324) represents the balance of the reserve for producer payment expenses of pool accounts that have been closed. Six years after particular accounts have been closed, the remaining reserves for these pools may be transferred to the Special Account upon authorization of the Governor in Council.

14. Special account – net balance of undistributed payment accounts

In accordance with the provision of Section 39 of the *Canadian Wheat Board Act*, the Governor in Council may authorize the Corporation to transfer to a Special Account the unclaimed balances remaining in payment accounts which have been payable to producers for a period of six years or more. In addition to providing for payment of proper claims from producers against these old payment accounts, the Section further provides that these funds shall be used for purposes as the Governor in Council, upon the recommendation of the Corporation, may deem to be for the benefit of producers. The activity in the Special Account is comprised of:

Beginning of year	**$ 2,792**	$ 2,662
Transfer from payment accounts	**2,674**	906
Expenditures	**(1,441)**	(768)
Payments to producers against old payment accounts	**(5)**	(8)
End of year	**$ 4,020**	$ 2,792
Ending balance comprised of:		
Unexpended authorizations	**$ 165**	$ 216
Unallocated	**3,855**	2,576
	$ 4,020	$ 2,792

During the year ended July 31, 1999, the balance from payment accounts for 1991 Wheat, 1991 Durum, 1991 Barley, 1985 Designated Barley, 1987 Designated Barley, 1988 Designated Barley, 1989 Designated Barley, 1990 Designated Barley and 1991 Designated Barley were transferred to the Special Account under Order-in-Council P.C. 1999-775.

The program expenditures during the 1998-99 crop year are detailed as follows:

	Unexpended at beginning of year	Authorized	Expended	Expired	Unexpended at end of year
Market development program	**$ 168**	**$ –**	**$ (94)**	**$ –**	**$ 74**
Scholarship program	**39**	**311**	**(318)**	**–**	**32**
Canadian International Grains Institute					
Capital expenditures	**9**	**175**	**(125)**	**–**	**59**
Pilot pasta plant	**–**	**1,750**	**(904)**	**(846)**	**–**
Canadian Malt Barley Research Institute	**–**	**750**	**–**	**(750)**	**–**
	$ 216	**$ 2,986**	**$ (1,441)**	**$ (1,596)**	**$ 165**

15. Lease commitments

The Corporation leases 2,000 covered hopper cars for the Government of Canada. All lease costs are recoverable from the government and are not a charge to the pool accounts. Total payments associated with these leases in the year ended July 31, 1999, amounting to $20,598,030 (1998 – $20,362,628) have been recovered by the Corporation. Lease terms are for 20 and 25 years, expiring in 2000 and 2006.

In 1995, the Corporation purchased an option to extend the lease term for 250 of the cars beyond the expiry date of October 2000 for two successive five year periods at a bargain lease rate. Between 1991 and 1995, the Corporation also purchased options to acquire 1,550 of these cars at a cost of $17,897,875 in United States dollars at the end of the lease term in 2006. The cost of these options is recorded in deferred and prepaid expenses.

The Corporation has entered into operating leases for certain premises. Lease terms are for a period of one to five years, expiring between December 1999 and October 2002. The Corporation has the option to renew most of these leases for additional terms of up to two years. Total lease payments expensed in the year ended July 31, 1999 were $621,661 (1998 – $590,350).

16. Uncertainty due to the year 2000 issue

The year 2000 issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems that use certain dates in 1999 to represent something other than a date.

The effects of the year 2000 issue may be experienced before, on, or after January 1, 2000 , and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure that could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the year 2000 issue affecting the Corporation, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

17. Off balance sheet financial instruments

The Corporation enters into interest rate hedging transactions to manage its funding costs and to implement asset/liability management strategies. These transactions are designed to reduce exposure to mismatches in revenue and expenses resulting from currency and interest rate fluctuations. These transactions include interest rate swap contracts, cross-currency interest rate swap contracts and currency swap contracts.

The Corporation also transacts foreign exchange forwards, swaps, and options with financial institutions with the objective of hedging currency exposure arising primarily from grain sales.

By hedging the currency exposure, risk arising from adverse currency movements is reduced.

As at July 31, the total notional amount of these off balance sheet financial instruments, all either maturing or rate re-setting within one year, is as follows:

	Notional Amounts	Fair Value	Credit Risk	Notional Amounts	Fair Value	Credit Risk
Interest rate contracts						
Single-currency int. rate swaps	**$1,154,880**	**$ 251**	**$ 8,164**	$1,395,786	$ 15,537	$ 100
Cross-currency int. rate swaps	**124,185**	**(145)**	**3,691**	51,060	(5,160)	15,736
Currency swaps	**260,209**	**2,035**	**2,775**	790,526	(2,877)	1,908
	1,539,274	**2,141**	**14,630**	2,237,372	7,500	17,744
Foreign exchange contracts						
Forwards	**663,477**	**2,462**	**5,878**	911,988	(33,334)	209
Swaps	**124,759**	**3**	**714**	188,594	11	11
Purchased options	–	–	–	901,093	4,389	4,389
Sold options	–	–	–	450,546	(1,231)	–
	788,236	**2,465**	**6,592**	2,452,221	(30,165)	4,609
	$2,327,510	**$4,606**	**$21,222**	$4,689,593	$(22,665)	$22,353

The fair value of interest rate contracts refers to the net present value of expected future cash flows based on current market rates. These values have been derived using various methodologies including net present value analysis and quoted market prices where available. The fair value of foreign exchange contracts refers to the market value of forward contracts and the replacement value of options contracts. These estimates of fair value are extensively affected by the assumptions used and as such, should not be interpreted as realizable values in an immediate settlement of the instruments.

Credit risk is the risk of financial loss occurring as a result of default by a counter-party on its obligations to the Corporation. A positive fair value indicates the Corporation's exposure to counter-party credit risk. The Corporation manages its exposure to credit risk by contracting only with financial institutions having a credit rating that complies with the financial risk management guidelines approved by the Department of Finance. Master netting agreements are used to reduce the credit risk from potential counter-party default. The largest cumulative notional amount contracted with any institution as at July 31, 1999 was $1,024,284,000 (1998 – $876,902,000) and the largest credit risk with any institution as at July 31, 1999 was $7,265,308 (1998 – $14,624,210).

18. Revenue

($000's, except tonnes)	Tonnes	Amount	Tonnes	Amount
Disposition of grain				
Shipped prior to July 31	**11 792 939**	**$ 2,409,387**	13 947 589	$ 2,868,954
Shipped subsequent to July 31	**846 128**	**174,330**	931 417	174,013
Weight losses in transit and drying	**716**	**–**	1 039	–
Total disposition of grain	**12 639 783**	**2,583,717**	14 880 045	3,042,967
Add grain sold to subsequent pool account	**2 649 485**	**528,319**	2 703 488	526,193
Gross sales	**15 289 268**	**3,112,036**	17 583 533	3,569,160
Less sales used to value prior pool account	**(2 703 488)**	**(526,193)**	(2 297 689)	(444,691)
	12 585 780	**2,585,843**	15 285 844	3,124,469
Deduct cost of grain purchased from other than producers	**(73 054)**	**(11,820)**	(84 739)	(14,534)
Revenue	**12 512 726**	**$ 2,574,023**	15 201 105	$ 3,109,935

($000's, except tonnes)	Tonnes	Amount	Tonnes	Amount
Disposition of grain				
Shipped prior to July 31	**3 739 357**	**$ 826,174**	3 807 048	$ 1,148,100
Shipped subsequent to July 31	**391 673**	**86,803**	304 187	90,127
Weight losses in transit and drying	**972**	**–**	2 166	–
Total disposition of grain	**4 132 002**	**912,977**	4 113 401	1,238,227
Add grain sold to subsequent pool account	**1 203 801**	**264,045**	426 046	93,618
Gross sales	**5 335 803**	**1,177,022**	4 539 447	1,331,845
Less sales used to value prior pool account	**(426 046)**	**(93,618)**	(580 928)	(155,205)
	4 909 757	**1,083,404**	3 958 519	1,176,640
Deduct cost of grain purchased from other than producers	**(5 118)**	**(1,163)**	(20 634)	(4,986)
Revenue	**4 904 639**	**$ 1,082,241**	3 937 885	$ 1,171,654

($000's, except tonnes)	Tonnes	Amount	Tonnes	Amount
Disposition of grain				
Shipped prior to July 31	**203 539**	**$ 26,139**	728 352	$112,874
Shipped subsequent to July 31	**16 567**	**2,161**	35 222	3,062
Weight losses in transit and drying	**8**	**–**	(173)	–
Total disposition of grain	**220 114**	**28,300**	763 401	115,936
Add grain sold to subsequent pool account	**121 893**	**16,677**	48 646	4,818
Gross sales	**342 007**	**44,977**	812 047	120,754
Less sales used to value prior pool account	**(48 646)**	**(4,818)**	(548 089)	(87,843)
	293 361	**40,159**	263 958	32,911
Deduct cost of grain purchased from other than producers	**(16 261)**	**(1,811)**	(1 998)	(208)
Revenue	**277 100**	**$ 38,348**	261 960	$ 32,703

($000's, except tonnes)	Tonnes	Amount	Tonnes	Amount
Disposition of grain				
Shipped prior to July 31	**1 780 583**	**$ 309,656**	2 044 716	$ 397,887
Shipped subsequent to July 31	**157 900**	**26,244**	230 072	47,730
Weight losses in transit and drying	**–**	**–**	–	–
Total disposition of grain	**1 938 483**	**335,900**	2 274 788	445,617
Add grain sold to subsequent pool account	**42 741**	**7,168**	59 065	10,910
Gross sales	**1 981 224**	**343,068**	2 333 853	456,527
Less sales used to value prior pool account	**(59 065)**	**(10,910)**	(62 179)	(12,381)
	1 922 159	**332,158**	2 271 674	444,146
Deduct cost of grain purchased from other than producers	**(492)**	**(67)**	(4 251)	(756)
Revenue	**1 921 667**	**$ 332,091**	2 267 423	$ 443,390

Weight losses in transit and drying includes losses that occur during the transport of grain after delivery to the Corporation by agents at terminal or mill position and losses that occur during drying at terminal position.

Disposition of grain represents tonnes that are shipped in a pool account prior to the completion of operations for that pool account or weight losses in transit and drying, and is comprised of the following:

	Wheat	Durum	Barley	Designated Barley	Total
1998-99					
Domestic	**2 184 479**	**236 557**	**34 076**	**370 188**	**2 825 300**
Export	**10 454 588**	**3 894 473**	**186 030**	**1 568 295**	**16 103 386**
Weight losses	**716**	**972**	**8**	**–**	**1 696**
	12 639 783	**4 132 002**	**220 114**	**1 938 483**	**18 930 382**
1997-98					
Domestic	1 873 107	222 322	113 344	297 275	2 506 048
Export	13 005 899	3 888 913	650 230	1 977 513	19 522 555
Weight losses	1 039	2 166	(173)	–	3 032
	14 880 045	4 113 401	763 401	2 274 788	22 031 635

19. Administrative and general expenses

Administrative and general expenses are allocated as follows:

Administrative and general expenses for the crop year	**$ 56,589**	$ 52,100
Less amounts allocated to:		
Preceding pool accounts related to administration of those pool accounts during the current crop year	**(21,746)**	(20,582)
Provision for expenses related to administration of the producer payment accounts during the current crop year	**(295)**	(362)
Balance applicable to current pool accounts	**34,548**	31,156
Add amounts allocated from estimated administration and general expenses for the subsequent crop year related to administration of the current pool accounts during that crop year	**20,656**	21,746
Total allocated to 1998-99 pool accounts	**$ 55,204**	
Total allocated to 1997-98 pool accounts		$ 52,902
Net allocation as follows:		
Wheat	**$ 35,214**	$ 37,105
Durum	**13,802**	9,617
Barley	**781**	644
Designated Barley	**5,407**	5,536
	$ 55,204	$ 52,902

The administrative and general expenses that are charged to the current pool accounts include an allocation of costs that are expected to be incurred in the subsequent crop year. The purpose of this is to ensure that the current pool accounts reflect the costs of the marketing activities that take place after the end of the crop year.

20. Grain industry organizations

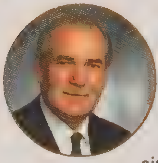
CWB share of operating costs of:		
Canadian Interntional Grains Institute (40 per cent share)	**$ 1,664**	$ 1,577
Car Allocation Policy Group (33.3 per cent share)	**35**	35
	$ 1,699	$ 1,612
Allocated as follows:		
Wheat	**$ 1,084**	$ 1,131
Durum	**425**	293
Barley	**24**	19
Designated Barley	**166**	169
	$ 1,699	$ 1,612

The Corporation's share of operating costs of grain industry organizations is allocated to the current pool accounts based on relative tonnage.

21. Comparative figures

Certain of the prior year's figures have been restated to conform with the current year's presentation.

Board of Directors



Greg Arason, President and Chief Executive Officer (CEO)

Greg was CEO of Manitoba Pool Elevators (MPE) and past director of several grain and food operations including Prince Rupert Grain Ltd. and Can Amera Foods Ltd. Greg has been involved in the Prairie grain industry for more than 25 years and played a major part in guiding MPE successfully through several years of significant agricultural change. He was educated at the University of Manitoba, and the Banff School of Advanced Management.

Ken Ritter, CWB Chair, Director-elected (District 4)

Ken operates a family farm in the Major-Superb area of West Central Saskatchewan. As well as farming, Ken has practiced law and taught school in Canada and Australia. His achievements include designing and implementing The Saskatchewan Farm Security Act legislation, serving as Commissioner with the National Transportation Agency of Canada, and Chairing the Saskatchewan Surface Rights Arbitration Board.

Betty-Ann Heggie, Director-appointed

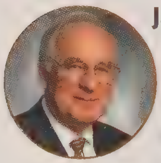
Betty-Ann is Senior Vice-President of the Potash Corporation of Saskatchewan. She has held positions of increasing responsibility within the corporation including Vice-President, Corporate Relations and Director of Marketing Services. Betty-Ann graduated from the University of Saskatchewan and is a member of several industry boards.

David Hilton, Director-appointed

David is a former Senior Vice-President, International Banking for the Bank of Nova Scotia. He has extensive experience at the most senior levels of government and business in the fields of international finance, aid and development and trade. David was born and raised in Alberta. He holds a degree in Commerce from the University of Alberta and in Law from Dalhousie University.

Ross Keith, Director-appointed

Ross is President and CEO of the Nicor Group (a property development firm) and a former partner in the MacLean, Keith law firm in Regina. He has degrees from the University of Saskatchewan in Arts, Commerce and Law. Ross is also President of Keith Farms – a third-generation family farming operation in southern Saskatchewan.



James Stanford, Director-appointed

James is President, Chief Executive Officer and a director of Petro-Canada. He joined Petro-Canada in 1978, rising steadily through its ranks to top management, after working for 19 years with Mobil Oil Canada. James sits on the Boards of Directors of Fortis Inc., Moore Corporation Limited and Inco Limited. He graduated from Loyola College in Montreal and the University of Alberta.

Art Macklin, Director-elected (District 1)

Art operates a 1,200-acre grain and cattle farm north-east of Grande Prairie, AB. Art has been active in farm, community and church activities for many years, having served as a director for local co-ops, President of the National Farmers Union, and Chair of the Advisory Committee to the CWB. In 1996, the Canadian Seed Growers Association awarded Art a long service certificate, in recognition of 25 years of successful pedigreed seed production.

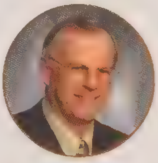
James Chatenay, Director-elected (District 2)

James was born and raised in Alberta. After graduating from Olds Agricultural College, he returned to the family farm near Penhold, AB that he continues to operate today. His crop rotation includes wheat, barley, canola and peas. James participated in the first Charolais importation from France in 1965. He also acted as a French-language interpreter in France and Canada, served six years as Director of the Alberta Charolais Association and judged several Charolais shows including the National Show in Australia.

Larry Hill, Director-elected (District 3)

Larry farms 5,200 acres near Swift Current, producing cereals, pulses, oilseeds and alfalfa. He obtained a degree in Agricultural Engineering (1965) and a Farm Business Management Certificate in Agriculture (1998) from the University of Saskatchewan. Previous experience includes working for Saskatchewan Agriculture and serving as a director on credit union and regional college boards. Since 1968, Larry has practiced various forms of conservation farming, such as the use of shelterbelts, direct seeding and an extended crop rotation.

John Clair, Director-elected (District 5)



John operates a 3,000-acre family farm near Radisson, SK, producing wheat, barley, durum, canola and peas. John has spent time as an Advisor to the CWB, Director of the Western Grain Research Foundation, Saskatchewan Wheat Pool delegate, a local school trustee, member of the Saskatchewan task force on transportation and local Co-op Board Director.

Ian McCreary, Director-elected (District 6)

Ian was born and raised on a mixed farm near Bladworth, SK, which he runs today. The farm includes a cow/calf operation and field production of peas, lentils, canola, wheat, durum, barley, flax and forages. Ian has Bachelor's and Master's degrees in Agricultural Economics from the University of Saskatchewan, and worked as a marketing manager and policy analyst with the CWB.

Micheal Halyk, Director-elected (District 7)

Micheal operates a 3000-acre grain, oilseed, pulse, alfalfa, pedigreed seed and livestock operation near Melville, SK. Micheal has been involved in local, community, provincial and national organizations including numerous agriculture policy groups, local credit unions, Saskatchewan Crop Insurance and the Advisory Committee to the CWB.

Terry Hanson, Director-elected (District 8)

Terry operates a family farm at Filmore, SK, producing wheat, barley, oats, oilseeds and pulses. He was Vice-chair of the Agriculture, Municipal Affairs and Highways Committees while serving as a member of the Saskatchewan Legislature. A 12-year veteran of the CWB Advisory Committee, he has been active in the local community as well as in farm policy development at federal and provincial levels.

Bill Nicholson, Director-elected (District 9)

Bill farms 4,000 acres near Shoal Lake, MB where his family produces cereals, oilseeds and pulse crops. Bill has a degree in agricultural engineering and has worked in the farm machinery industry. Bill has served on the Advisory Committee to the CWB, been a Manitoba Pool delegate and represented farmers on the Prairie Agricultural Machinery Institute Council.

Wilfred Harder, Director-elected (District 10)

Wilfred (Butch) has been on the Advisory Committee to the CWB for 12 years, a director with Manitoba Pool/Agricore for 12 years, and a Canadian Co-operative Association Director and Executive Member. He has also held directorships on the Western Co-op Fertilizers and XCAN Boards. Wilfred operates a 3,600-acre farm at Lowe Farm, MB, and a 1,200-acre farm at Headingley, near Winnipeg, MB. He grows grains, oilseeds and alfalfa seed.

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Worldwide

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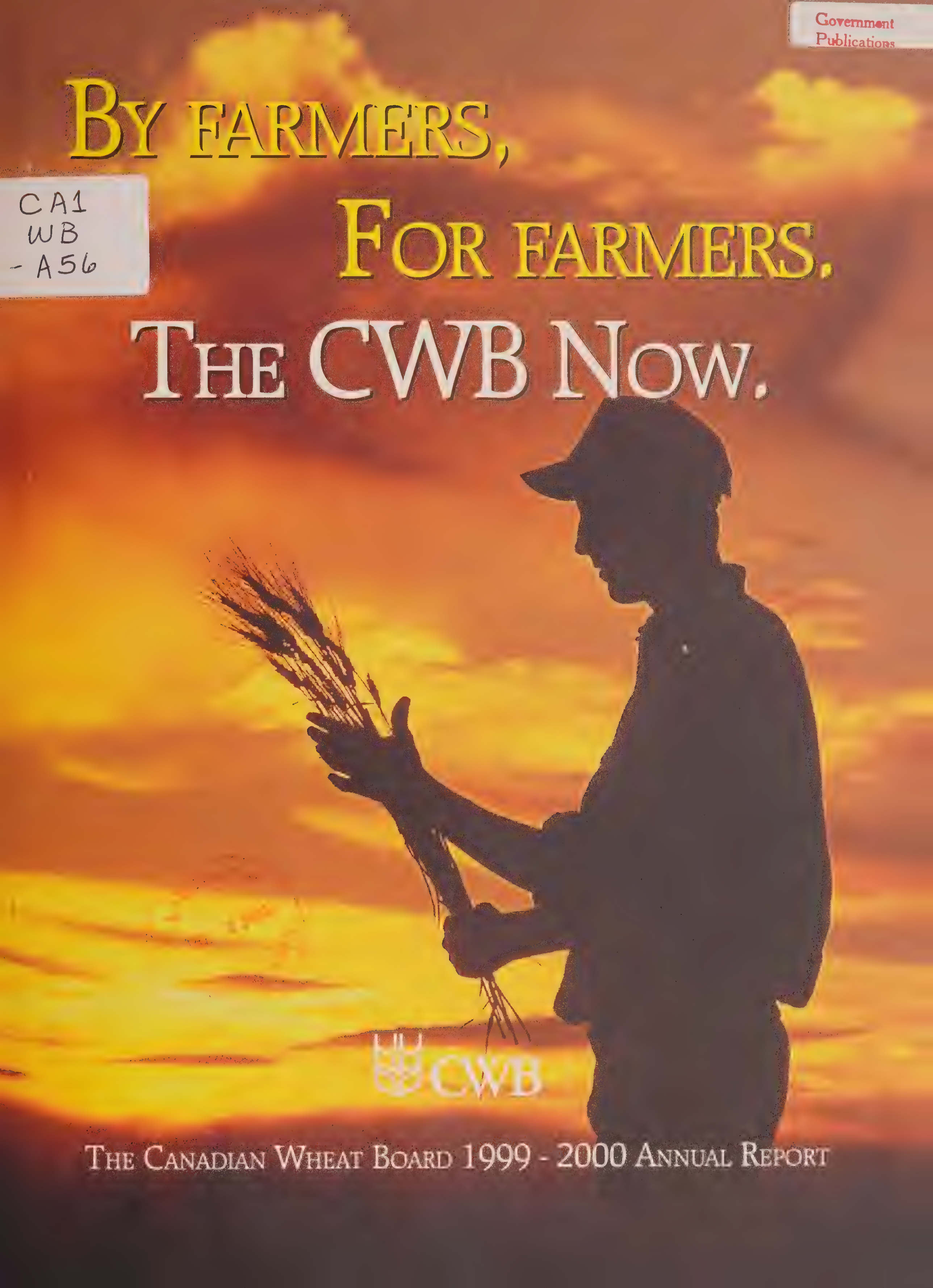


BY FARMERS, FOR FARMERS. THE CWB NOW.

CWB

THE CANADIAN WHEAT BOARD 1999 - 2000 ANNUAL REPORT

WHAT YOU WANT US TO BE...


INNOVATIVE MARKETERS.
ACCOUNTABLE.
FLEXIBLE.
EFFICIENT.
FARMER ADVOCATES.

A message from the President/CEO and the Chair of the Board of Directors

To western Canadian wheat and barley growers:

This past year has been about standing up for farmers. As a Board of Directors made up of 10 farmer elected and five appointed directors, we have worked hard in 1999-2000 to further your interests. Whether we are negotiating on transportation issues, developing producer payment options, fighting against EU and U.S. subsidies, defending against U.S. trade actions, or running the CWB more efficiently, as a board and management team we make your priorities, our priorities.

To be sure we are on track, we meet with farmers. This past year we have consulted as never before. Over 6,000 farmers attended *It's Your Business* Directors' meetings. We met with organic farmers. Directors and staff met with farmers at *Combine to Customer* and *Go with the Grain* tours, and *Customer Connection* meetings—all programs we offer for farmers to learn about grain marketing and their customers. These meetings as well as the *Moving Up Market* conference give staff and directors the opportunity to learn more about your concerns about the industry and grain marketing.

You have been asking for change, and we have responded. Beginning with electing farmers to the board, we became more accountable. To increase

Ken Ritter
Chair, Board of Directors

accountability to farmers, we invited the Auditor General of Canada to audit operations and initiated a process to benchmark marketing performance. We became more flexible by creating producer payment options. And we developed a new policy for new generation co-operatives wishing to develop value-added enterprises.

In a climate of low world prices and high input costs, farming is a tough business. You want to know that the CWB is making the most for you. Selling your grain—all of it—at the best possible prices on the world market is the number one goal. In 1999-2000 sales revenue exceeded $4.5 billion, an increase of 12 per cent from last year. Our share of the world wheat market went up from 13.8 per cent to 16.7 per cent. Our share of the world barley trade increased over three per cent to 9.7 per cent. The CWB maintained Canada's position as the dominant durum wheat exporter with over 60 per cent of world durum trade.

Selling your grain. Improving your cash flow. Providing options. Returning profits. Being accountable. These are our commitments to farmers. This report will highlight some of the ways we are standing up for you in a competitive and tough marketplace, and show how we have changed to respond to your changing needs and views. Providing more information than most publicly traded companies, the financial disclosure in this annual report is our testament to accountability.

As a Board of Directors and a management team working closely together, we have restructured the CWB to confront a new reality in agriculture. Led by a new strategic vision for 1999-2000, we have begun the new millennium with bold initiatives that we hope will create an era that builds on our strengths, increases your support, and contributes to your prosperity as a western Canadian grain farmer.

Ken Ritter
Chair, Board of Directors

Greg S. Arason
President and Chief Executive Officer

Greg Arason
President and Chief Executive Officer

1999–2001 CHART OF

VISION: To create value for Prairie farmers by being an innovative world leader in marketing grain.

MISSION: The CWB markets quality product and service in order to maximize returns to western Canadian grain farmers.

GOALS 1999-2000 and 2000-01	RESULTS 1999-2000
To attract, develop and retain markets by delivering quality products and service to customers worldwide	• Ongoing Market Development projects in wheat, durum, and malting barley • Creation of CWB biotechnology strategy and leadership in the industry • Implementation of the Canadian Malting Barley Technical Centre • Creation of long-term grain global supply-demand forecast, as a basis for a long-term marketing plan
To provide and demonstrate to Prairie farmers the competitive advantage of single-desk selling of wheat and barley	• Benchmarking initiatives were explored to determine the value of the single desk and to measure performance
To demonstrate that the CWB is controlled by Prairie farmers	• First annual strategic planning session by the Board of Directors in fall of 1999 • A review of communications between the CWB and federally elected government officials
To demonstrate accountability to Prairie farmers by seeking out, listening to and responding to their concerns	• Creation of producer payment options • Establishment of Farmer Relations area at the CWB • Expansion of farmer meetings and communications with farmers; expansion of Web site • Financial results issued to farmers through the annual report and *Grain Matters* • CWB election regulations and procedures reviewed, and recommendations made to the federal government

Goals and Results

Goals	Results
To be transparent by providing Prairie farmers with information, including market-related information, that does not jeopardize the competitive and commercial position of the CWB	• Establishment of a CWB Information Policy • Support of the Auditor General of Canada in the Special Audit of the CWB • Comprehensive financial reporting in the 1999-2000 Annual Report
To provide equitable opportunity for Prairie farmers to access world grain markets	• Comprehensive review of the grain delivery policy and system
To distribute returns to Prairie farmers in a manner consistent with the relative value of their products through mechanisms that strive for fairness and equity	• Paying farmers for finer protein increments in wheat
To operate in a manner that encourages value-added initiatives on the Prairies	• Assisting value-added enterprises with information • Consultations with organic industry • New Generation Co-op policy
To maintain a healthy and safe work environment and provide employees opportunities for personal growth and professional excellence in an equitable manner that respects diversity	• Employee survey conducted • Employee pension plan reviewed
To actively represent Prairie farmers' interests on relevant issues to governments and industry	• Advocacy for farmers in transportation policy changes • Participation in Multilateral WTO Trade Discussions • Bilateral Canada-US Trade Strategy Plan developed to improve dialogue with government
To provide industry leadership to achieve the most efficient handling and transportation system	• Reduction of farmer costs through further commercialization of the grain handling and transportation system

Innovative Marketers

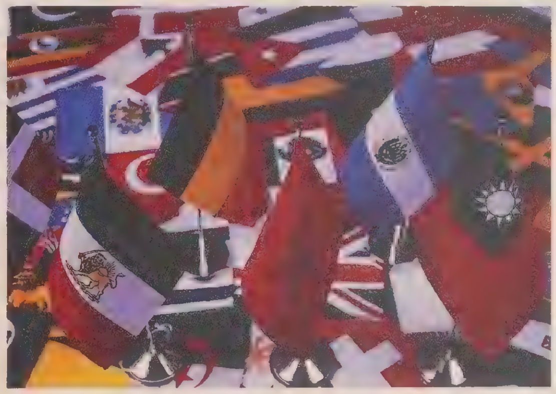
The CWB has a world-wide reputation for dependability. High quality, consistent products, technical service and expertise, and going the extra mile for the buyer makes Canada first choice in key markets.

Market development

Finding out what customers want and developing varieties that meet their processing needs requires extensive research. The CWB's Sales and Market Development department is devoted to working with customers, plant breeders, the Canadian International Grains Institute (CIGI), the Canadian Grain Commission (CGC), the Canadian Malting Barley Technical Centre (CMBTC) and other industry partners to make western Canadian wheat and barley first choice with customers around the world.

Market Development for wheat

Canada is the largest trader of hard red spring wheat in the world. To continue to meet customer demand and expand markets, the CWB has been working to develop and test different wheat varieties. AC Crystal, a Canada Prairie Spring Red wheat variety, and AC Vista, a Canada Prairie Spring White wheat variety, have been favorably tested by off shore customers. AC Vista has potential in Asian noodle markets and in Latin America, and AC Crystal is a high yielding wheat that can compete with hard red winter wheats with lower protein. New Hard White Spring wheat varieties are being developed to meet customer needs and to provide new production opportunities to growers.



There are increasing pressures to expand the range of products beyond what the conventional wheat quality control system can support using Kernel Visual Distinguishability. In response, the CWB has led the development of a proposal for a "non-Visual Quality Segregation System" designed to enhance the current system and to continue to provide customers with high quality uniformity in Canadian wheat shipments.

Barley opportunities

To enhance market growth in malting barley, the CWB spearheaded an initiative to establish a Canadian Malting Barley Technical Centre (CMBTC). The purpose of the CMBTC is to provide technical marketing and research support to CMBTC members, domestic clients of the Canadian malting barley industry and export customers on a fee-for-services basis. State-of-the-art pilot malting, pilot brewing and laboratory equipment will be installed at CMBTC in the spring of 2001. The pilot-scale malting and brewing facility will demonstrate the suitability of new varieties for specific markets, will facilitate technical support to them and will provide market-related guidance to Canadian researchers and malting barley breeders. The CWB led an implementation committee to establish the CMBTC. It is on the new board of directors and is providing about $1 million towards start-up capital. Expert malting and brewing staff have been recruited and further technical staff will be added as the centre becomes fully operational.

To further build malting barley opportunities, CWB Market Development gave high priority to market development and technical support

for the sales of new malting barley varieties. Customers from China attended special programs at the CWB and CIGI. New malting barley varieties—AC Metcalfe, CDC Kendall and CDC Stratus—were shipped to China, and a technical malting expert was hired to assist customer support.

A CWB-led technical team is working with Japanese barley tea processors to test Canadian barley varieties for expanding markets. There are markets for other barley food products and Canadian barley varieties are being tested for suitability for these niche markets.

Durum successes

Western Canada is number one in the world durum wheat industry, with about 60 per cent of world durum trade. To maintain and increase market share, the CWB has targeted expanding durum markets and is working with CIGI on developing new durum varieties. The CWB invested $1.8 million in the new pilot pasta plant at CIGI. The plant simulates pasta-making processes in different markets around the world, and can evaluate newly developed durum varieties. Domestic and international pasta makers are able to work with the CWB and CIGI to develop products using Canadian durum and spring wheat for expanding pasta markets. A number of international customers have already attended durum programs using the pilot pasta plant to learn about and evaluate new durum varieties.

Partnerships are key in turning research into sales. To further develop markets, the CWB led the organizing of the Durum Product Interest Group, formed to prioritize durum research needs. This year, the group identified the need to test the effects of sprouted grain on pasta making. The CWB has worked closely with durum breeders to help them understand international customers' needs. In 1999-2000, the CWB offered farmers a $5 per tonne premium to grow AC Navigator with over 12 per cent protein. Growers are encouraged to closely manage soil fertility to produce the higher protein levels critical in satisfying customer demand.

Variety survey

The CWB conducted an extensive variety survey, in which over 23,000 farmers participated. The survey is useful to many people interested in knowing what wheat and barley varieties are being grown on western Canadian farms. Wheat and barley breeders want to know where their varieties are being grown because they want to find out whether the agronomic strengths of those varieties are proven in the regions where the variety was expected to be popular. Farmers want to know from a neutral source what the newest varieties are; the CWB, grain companies and customers are interested because the information can give some idea of evolving end-use quality characteristics.

CWB Biotechnology strategy and Automated Quality Testing (AQT) Inc. initiative

The CWB has developed a strategy for genetically modified grains that safeguards customer and farmer needs and at the same time recognizes the potential benefits that biotechnology can offer. Taking a leadership position in the western Canadian grain industry, the CWB has developed a position statement on biotechnology (posted on our Web site).

Many wheat customers worldwide have expressed to the CWB strong concern regarding negative consumer reaction to transgenic food ingredients. The CWB's position is that transgenic varieties of wheat should not be registered for commercial production until these important concerns can be addressed. Unless there is an evolution to widespread consumer acceptance, what would be required is a rigorous segregation system that ensures the CWB's ability to meet certain customers' needs with shipments that satisfy maximum tolerances for GMOs.

The CWB is working with the industry to design the production and handling practices, documentation and testing protocol required to segregate GMO from non-GMO wheat to meet customer requirements. An important part of that segregation system is the ability to accurately, quickly and economically test for the presence of GMO varieties.

To that end, the CWB is working with the CGC and the industry on an Automated Quality Testing (AQT) Inc. initiative to develop technology that will not only be able to recognize genetically modified grains, but will also identify other grain quality characteristics. The AQT initiative is supported by the CGC, with funding from Agriculture and Agri-Food Canada and industry partners. The CWB is providing $1.5 million over five years.

Jan Knight of the Canadian Grain Commission evaluates a grain sample in an NIR machine, an example of Automated Quality Testing already in place.

Revenue and exports increasing

In 1999-2000 combined pool account sales were over $4.5 billion, up 12 per cent from 1998-99, placing the CWB as Canada's third largest exporter (sales revenue). The CWB exported about 21 million tonnes of grain, up over 25 per cent from the 16.1 million tonnes exported in 1998-99.

Canada's market share of wheat trade rose three per cent to 17 per cent in 1999-2000. The CWB provided 60 per cent of the global bulk durum trade and the Canadian share of total world barley trade increased three per cent to 9.7 per cent.

Strong domestic industry

Demand for non-durum wheat for use by the Canadian domestic industry remained strong with an estimated 2.1 million tonnes sold by the CWB, compared to 2.2 million tonnes in 1998-99. As well, the domestic industry purchased over 1.1 million tonnes of designated barley and was the top buyer in 1999-2000.

Major buyers

For the first time, Iran was the largest volume buyer of Canadian non-durum wheat, importing 3.3 million tonnes during the year. Japan continued to be a major buyer of CWB non-durum wheat, feed barley and designated barley. Sales of designated barley to the U.S. increased slightly. China's growing malt industry boosted CWB sales of designated barley to 428 000 tonnes. Sales of non-durum wheat and malting barley to Mexico also increased. Saudi Arabia, the United Arab Emirates and Republic of Korea all purchased feed barley in 1999-2000.

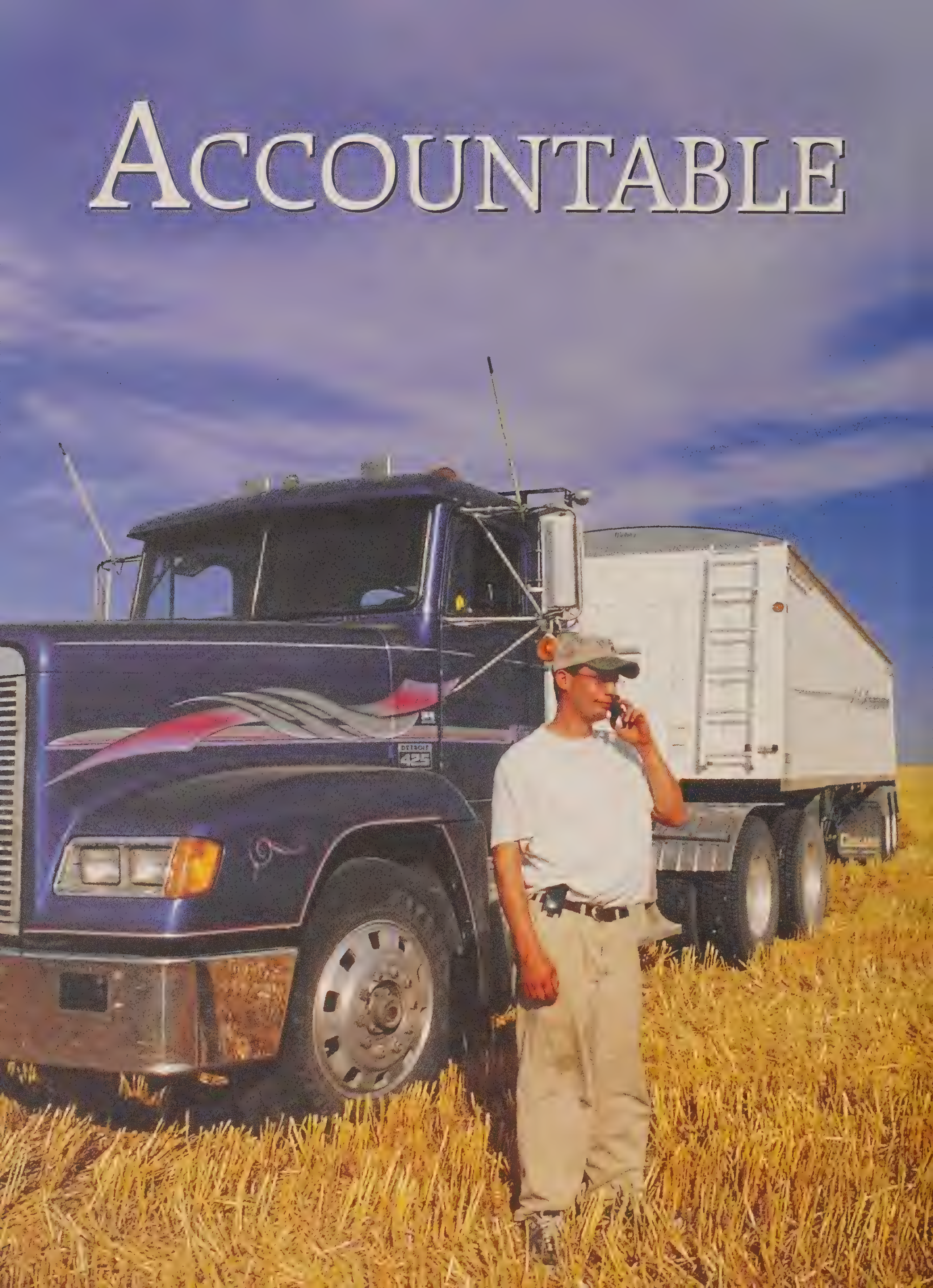
As in 1998-99, the CWB's largest durum customer for 1999-2000 was Algeria at almost 1.5 million tonnes. Morocco was the second biggest buyer at 472 000 tonnes. The CWB shipped 360 000 tonnes of durum to Venezuela in 1999-2000.

The Canadian domestic and United States durum markets remain important to the CWB with sales of 298 000 and 292 000 tonnes respectively.

Long-term forecast

In 1999-2000, the CWB issued a global grain production and trade forecast covering the five-year period from 1998-99 to 2003-04 and ten years to 2008-09. The predictions take into account production, consumption and price trends, macroeconomic factors and agricultural and global trade policy developments. This forecasting effort helps the CWB to identify emerging production and consumption trends and the resulting impact on world grain trade patterns, and is the basis for the long-term marketing plan.

Overall, the outlook points to increasing global demand for all grains handled by the CWB, including wheat, durum wheat, feed barley and designated barley.


ACCOUNTABLE

The Board of Directors and management of the CWB are committed to being accountable to farmers. A number of initiatives in 1999-2000 were undertaken in order to enhance accountability and communication.

Review by Auditor General

The Board of Directors initiated a special audit of CWB operations by the Auditor General of Canada. The CWB worked with the Auditor General's office to establish terms of reference for the review process. Preparation for the initiative took place in 1999-2000, with the examination beginning in the summer of 2000. The review will be conducted over a one-year period with a report to be presented within three months of completion to the Board of Directors.

Benchmarking initiatives

In 1999, the Board of Directors directed CWB management to gather data and develop performance benchmarks to measure the effectiveness of marketing and business operations in a number of areas. CWB staff provide the Board of Directors with data and information to monitor CWB performance on an on-going basis.

(l to r) Brendan Postman and Tony Crooymans with CWB Area Representative Bob Tricker at Customer Connection meeting in Lethbridge, AB.

Information Policy

In 1999–2000, the CWB developed a new Information Policy, launched in December 2000. It gives guidelines for providing information to farmers and the public. The Information Policy is designed to enable farmers to make a meaningful assessment of CWB performance, to provide farmers with information useful to their operations and to ensure that farmers and the CWB's strategic and commercial interests are not placed at a competitive disadvantage by any information release. The CWB currently discloses information through news releases, the annual report, Pool Return Outlooks, the Web site, a bi-monthly newsletter to farmers called *Grain Matters*, and other publications. The CWB provides more information than most publicly traded companies. The Information Policy is posted on the Web site.

Board of Directors' communications and meetings with farmers

The Board of Directors adopted a Communication Policy to recognize the importance of the director's role in communicating with farmers. The Board has made efforts to increase the ways in which they can interact with farmers. Over the past year, they have held Board of Director meetings in Red Deer, Regina, and Brandon, which included receptions for farmers. In the spring of 2000, the Board hosted approximately 6,000 farmers at 41 *It's Your Business* supper meetings across the Prairies, providing farmers with another avenue to express their views on CWB policies and issues.

In 1999, the CWB held its annual *Moving Up Market* conference in Saskatoon, focusing on organic marketing opportunities and challenges. Following the conference, the CWB held meetings with organic farmers and revisited CWB policy on organics (see page 15).

Farmers attended *Customer Connection* meetings, as well as *Combine to Customer* and *Go with the Grain* tours. These programs give farmers the opportunity to learn more about the needs and requirements of our international customers, as well as how the grain marketing industry functions. Just as importantly, the CWB gets a chance to hear the views and concerns of farmers.

Norm Cobb speaking to an Australian farmer group at the Windows to World Markets crop plot site in Headingly, MB.

Farmer Relations area at CWB

To further enhance accountability to farmers, in 1999-2000 the Board of Directors approved a restructuring of the CWB to create a Farmer Relations area, designed to build a stronger, more direct connection with farmers.

Reviewing the election process

In the fall of 1999, the Board of Directors reviewed CWB election procedures and recommended changes. One of the many implemented recommendations was the provision for a manual recount when a tie occurs during the voting process.

Web site number one

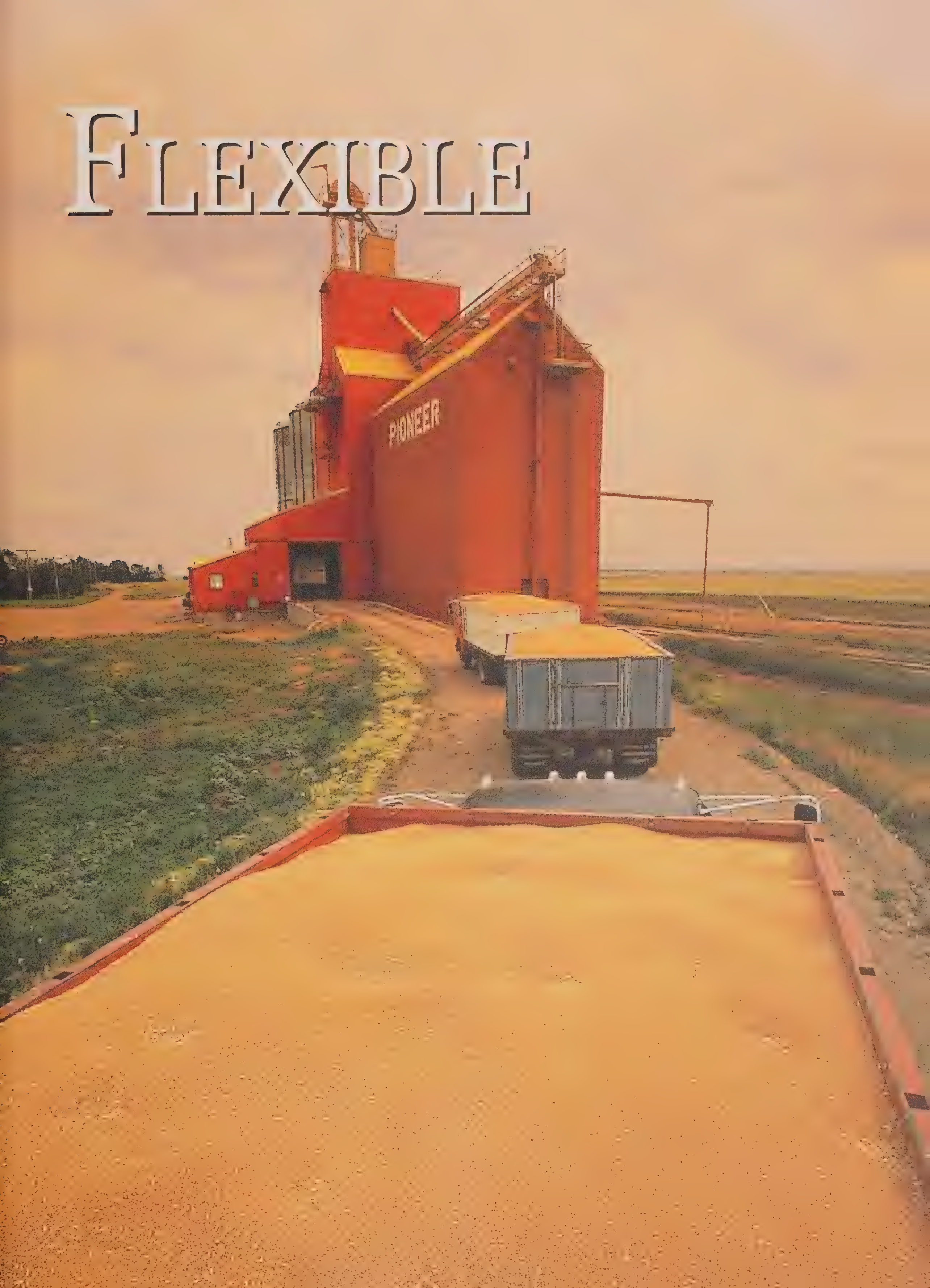
During the 1999-2000 crop year, the CWB expanded the content of its Web site to include market and weather reports, speeches by senior officials, weekly bulletins, updates on grain transportation issues and position papers on world trade and genetically modified organisms. An Ipsos-Reid survey revealed that the CWB Web site was the most visited for agricultural information among western Canadian farmers.

On-going communications

Farmers receive information from the CWB through a number of venues. The bi-monthly newsletter *Grain Matters* gives farmers an update on new policies, issues, market developments and events related to grain marketing. The CWB also produces the *Grain Marketing Report*, *Go Malting* (a malting barley newsletter), participates in trade shows, and organizes tours of the crop plot demonstration sites, *Windows to World Markets.*

David Lavineway (l.) and Lisa Kowalski (r.) design and maintain the CWB Web site.

Flexible



The CWB Board of Directors wants to make sure that western Canadian farmers have choices available to meet their individual needs in grain marketing. A variety of new programs are designed to provide flexibility while still ensuring a strong pooling system.

Producer payment options

The CWB launched a pilot program in April 2000 to provide farmers the flexibility to lock in a fixed price or basis for Canada Western Red Spring (CWRS) wheat before the beginning of the crop year. The fixed price was calculated using the Pool Return Outlook (PRO) for CWRS wheat, 13.5 per cent protein, basis in store Vancouver/St. Lawrence, minus a discount for risk, administration and the time value of money (interest). The basis equaled the fixed price minus the Minneapolis futures price adjusted to Canadian dollars per tonne. With the implementation of these programs, new choices became available to farmers to provide payment flexibility while maintaining the integrity of the pooling system.

The CWB also established a contingency fund for each of the producer payment option programs. This ensures that the costs and risks associated with individual payment options are separately identified and accounted for independently of pool account operations. The Board also approved work to continue the expansion of the pricing options to include additional classes of wheat, other grains and other enhancements.

Loading grain on ship at port.

CWB value-added initiative and New Generation Cooperatives policy

In 1999-2000, the CWB completed a review of its competitive North American domestic pricing policy and developed a policy to serve New Generation Cooperatives (NGC). These policies have been developed in conjunction with existing and prospective domestic processors. In 2000-01, the CWB will conduct a comprehensive study of the North American pasta market. The CWB will provide existing and potential value-added operations with information from the study to assist with the development of feasibility studies.

The NGC policy respects the integrity of the basic pooling principles that ensure all farmers share equally in sales to premium markets. The NGC policy builds on the CWB's Domestic Human Consumption (DHC) pricing policy which assures all Canadian processors of milling wheat, durum and malting barley that they have access to the highest quality input products in the world at competitive North American prices. The pricing policy places all processors on an equal footing.

Members of NGCs purchase their stocks of wheat, durum or malting barley from the CWB.

The farmer members of a NGC have the option of a fixed price contract to enhance cash-flow at the time of delivery to the processing plant.

Under the fixed price contract, farmer members of a NGC are entitled to receive the full pool value of their grain at the time of delivery to the NGC. Members also have the option of staying in the regular CWB pool account. There are no CWB delivery restrictions on NGC members delivering their grain to their processor.

Organic policy

The CWB began a review of the organic policy in 1999-2000. In the spring of 2000, the CWB published a discussion paper on the marketing of organic grains and invited the organic industry to make submissions responding to the alternatives outlined. Following this process, six meetings were held across the Prairies. Staff and directors met with organic farmers to discuss the current system and the Producer Direct Sale (PDS) and look at ways the CWB could add value to the industry. In December 2000, the Board of Directors made the decision to simplify the PDS program for organic farmers. They will be able to conduct a PDS transaction directly with the CWB rather than going through elevators, who charge an administration fee of $5 per tonne and up. In addition, organic farmers will have the option of obtaining credit from the CWB up front on their sale to improve cash flow.

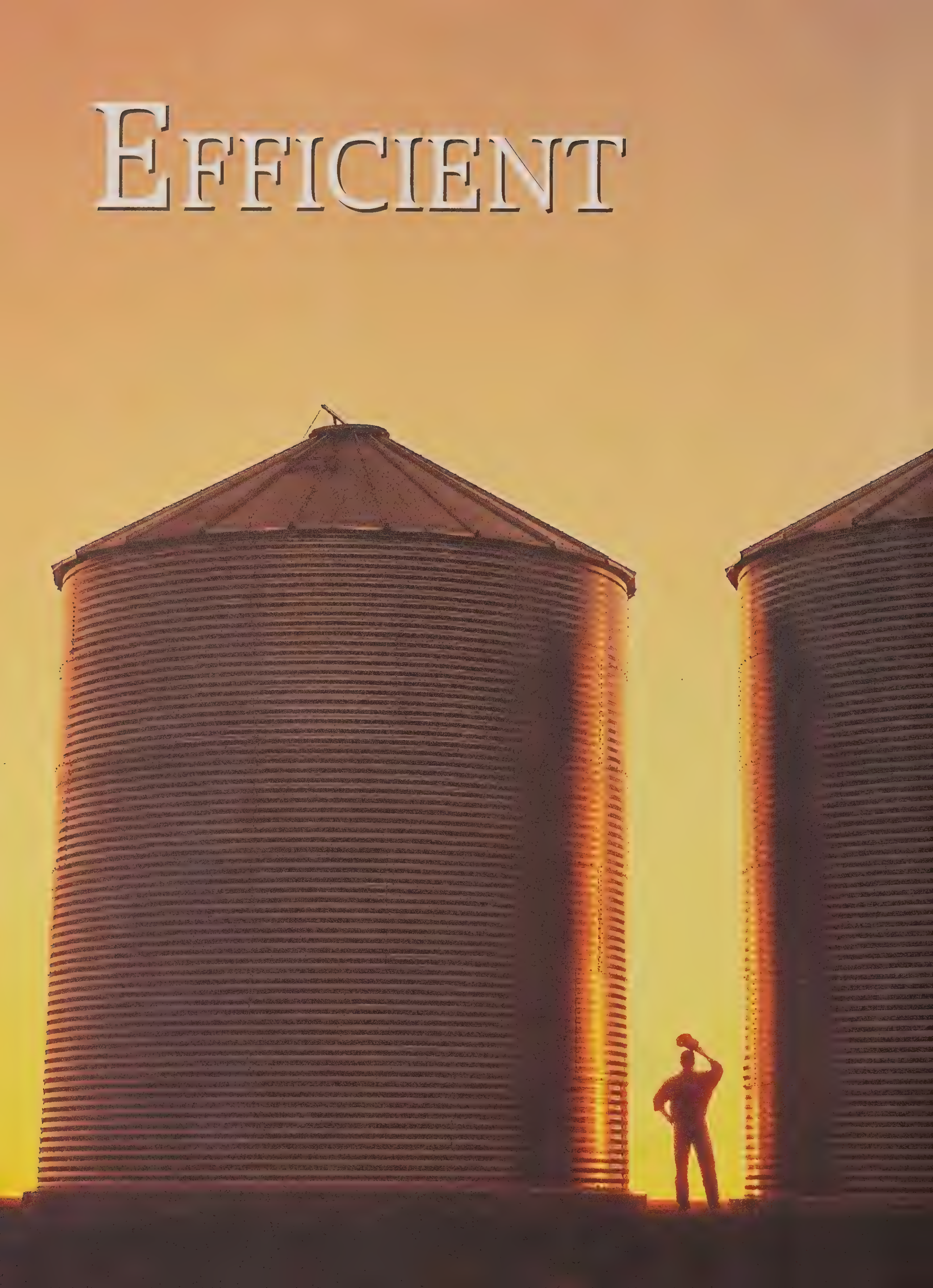
Spring credit advance program

In March 2000, the federal government announced the "Spring Credit Advance Program" to help farmers with planting. This initiative was part of an effort to assist farmers during this period of low grain returns. The CWB administers the wheat, durum, and barley advances on behalf of the Government of Canada.

Paying farmers for finer protein increments in wheat

Protein payments based on one-tenth percentage protein for Nos. 1 and 2 CWRS from 12.0 to 15.0 per cent protein and Nos. 1 and 2 CWAD from 12.5 to 14.0 per cent protein were implemented for the 1999-2000 crop year.

Swiss farmer Martin Beugger shown working on a Manitoba farm near Brunkild.


EFFICIENT

The CWB is committed to reducing costs and increasing returns to producers. Whether in transportation, human resources, or technology, improving efficiency is a key business objective.

Reduction of farmer costs through further commercialization of the grain handling and transportation system

A key objective of the CWB is to refine the grain handling and transportation system to be more commercial and competitive in order to benefit farmers. This commercialization process was mandated through the revised Canadian Transportation Act and the Memorandum of Understanding between the Government of Canada and the CWB.

The reform package ensures that the CWB can negotiate its overall car supply requirements with the railways. This puts farmers in a position to secure railway capacity to meet sales commitments without relying on grain companies for car supply. Given this starting point, the CWB is committed to offering commercial tenders for the movement of wheat and barley that improves returns for farmers.


The Gorrill family in Canada Western Red Spring wheat field near Ponteix, Saskatchewan.

In addition to tenders, the CWB strives to increase farmers' returns by negotiating competitive contracts for the movement and handling of grain. These initiatives include negotiated summer and winter programs for direct rail to Quebec City, terminal handling agreements with Mission Terminal at Thunder Bay and with OmniTRAX at Churchill, and competitive bids for shipments to and trans-shipments through the U.S.

Organizational restructuring

The CWB is working to ensure that staff have the skills and expertise required to carry out current and future business objectives efficiently and effectively.

In order to provide organizational restructuring opportunities, the CWB offered its employees an early retirement package (see below). The CWB used the departures as an opportunity to amalgamate Country Services and Transportation into one department. Combining the two departments streamlines operations and provides faster reactions to the changing transportation environment.

The CWB created the department of Farmer Relations to ensure farmers' views are heard and acted upon. The area will include current staff from Farm Marketing Services, the 1-800 call centre and the Farm Business Representatives (formerly called Area Representatives).

Grain delivery policy review

Every year the CWB reviews the grain delivery and handling system to ensure that it meets farmer and industry needs. In 1999-2000 the delivery policy review showed grassroots support for CWB contracting and other services to enhance farmers' delivery acces and marketing opportunities. Farmer input was received from six focus meetings where malting barley issues were explored.

The Malting Barley Industry Group, which includes the CWB, grain companies, the CGC, maltsters, and the Western Barley Growers Association, initiated two changes to support malting barley delivery policy. First, when farmers pay liquidated damages that have been assessed through failure to deliver grain under contract, the proceeds will be shared between the CWB and the grain company that selected the barley. Second, the group rejected the use of pre-harvest glyphosates and desiccants in barley because of customer preferences.

Human Resources

In May 2000, the CWB hired a new Vice President of Human Resources. Human Resources (HR) in partnership with the executive group and business units, provide leadership in the development of innovative HR practices and policies that enable the organization to achieve corporate goals and objectives.

Over the past year, HR has been working on a number of new or ongoing initiatives. A review of the pension plan is underway to offer flexibility to employees while effectively managing costs for the organization. To reduce costs and support organizational restructuring and redesign, an Early Retirement Incentive Program was offered to 90 employees. This resulted in 52 employees opting for the program.

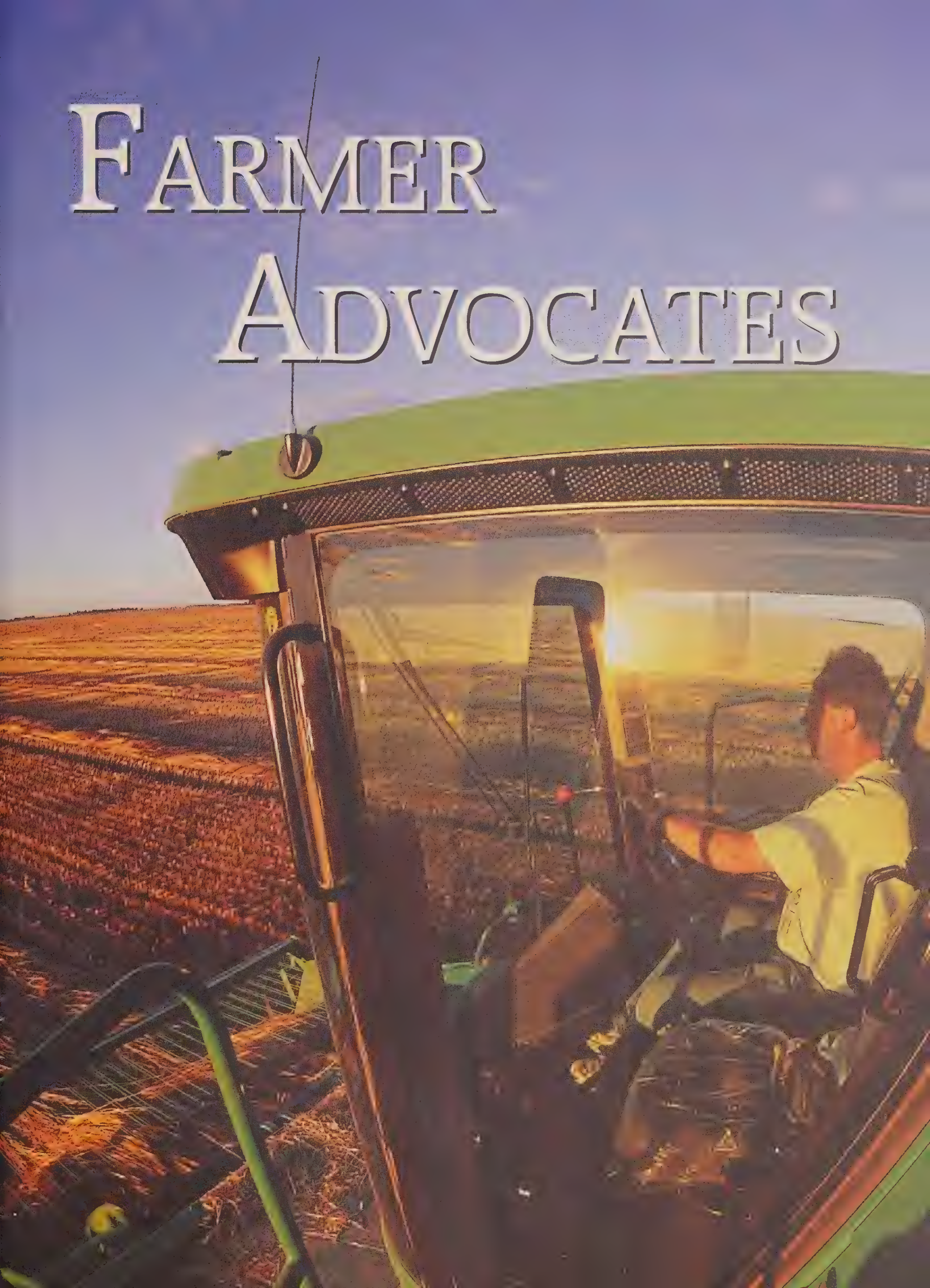
Investigating e-business

In 1999-2000 the CWB formed a committee to look at the potential of conducting business with farmers electronically via the Internet. The committee developed a strategy for investigating e-business, identified projects and conducted farmer focus group meetings. In the focus groups, farmers said the things of most interest to them would be permit applications and delivery contracts via the CWB Web site. Farmers also were interested in the idea of the CWB providing a portal or link to other businesses from whom they could access services on-line. Implementation of e-business proposals continue in 2000-01.

Addressing the Year 2000 challenge

There were no significant CWB computer system failures and no significant disruption in services from suppliers. This was a very demanding initiative requiring repair or replacement of many software and hardware systems. The Year 2000 initiative was fully successful and is now complete.

Farmer Advocates



The new governance structure of the CWB has created more opportunities for the CWB to stand up for farmers. Advocating for farmers in trade and transportation has been key in the last year.

Government relations

With many important issues facing farmers from international trade negotiations to the future of genetically modified organisms on the farm, it is important that farmers' voices be heard as government formulates trade policy and domestic legislation. The directors and CWB staff continue to meet with elected officials within the Prairie provinces and the federal government to make the Board's position known on issues that affect farmers and the CWB's marketing mandate.

The CWB submitted two grain marketing presentations to the Government of Canada. The first was a presentation to the House of Commons Standing Committee on Agriculture and Agri-Food on its *Farm Income Study*. The presentation indicated the negative impact of foreign subsidies on the market prospects for western Canadian farmers.

The CWB also appeared before the Standing Committee on Transport on the amendments to the Canadian Transportation Act (Bill-34), an Act to reform the grain transportation system in Canada. The presentation included the need to ensure the competitiveness of Canada's rail system to meet customers' needs around the world while at the same time protecting the interests of farmers.


Members of the U.S. National Farmers' Organization met with CWB staff and directors. Seated l. to r. are Joe Nathan, Kelly Shuckman, Larry Hill. Standing l. to r. are Paul Oleson, Bill Nicholson, Butch Harder and Bob Roehle.

Churchill freight advantage rebate

The CWB worked in consultation with farmers of the Hudson's Bay Route Association to create the Churchill Freight Advantage Rebate. This program ties the freight savings received by farmers in the Churchill catchment area more closely to actual grain shipments through Churchill. By incorporating the limited shipping season and number of grades that move through port, the program has increased the per-tonne payment to farmers who grow wheat that is exported through Churchill. The added efficiency and precision of the program has increased payments without affecting payments received by farmers in other parts of the Prairies. Since the program's payments are based on shipping records finalized after freeze-up, the program pays farmers in the form of a rebate.

Trade issues

The CWB works with Agriculture and Agri-Food Canada (AAFC) and the Department of Foreign Affairs and International Trade (DFAIT) to ensure that the interests of wheat and barley farmers are represented in trade discussions. CWB staff and directors attended agricultural policy meetings at the World Trade Organization (WTO) talks in Seattle, Washington,

November 1999, to promote the interests of wheat and barley farmers. The CWB consistently speaks out on the unfair, price distorting EU and U.S. subsidies that continue to disadvantage Canadian farmers. The CWB's goals in the international trade arena are to protect and expand access to markets, to work towards fair competition and to protect western Canadian farmers' rights to market through a single desk.

The CWB's marketing activities were scrutinized for the eighth time by the U.S. when the U.S. Department of Commerce investigated anti-dumping and countervailing duty petitions filed by the U.S. Ranchers-Cattlemen's Action Legal Fund (R-CALF). The petition called for the U.S. government to impose trade restrictions on imports of Canadian cattle. The petition claimed the CWB acts as a subsidy to Canadian cattle farmers by restricting feed barley exports, thereby keeping domestic barley prices artificially low. The U.S. determined that the operations of the CWB did not provide an indirect countervailable subsidy, nor was there a consistent pattern of Canadian prices being low. The CWB worked closely with the defense team to provide information for the case.

In spring of 2000, the U.S announced it would be seeking a ninth investigation on CWB marketing. In the fall of 2000, the North Dakota Wheat Commission filed a Section 301 petition against the Canadian Wheat Board alleging "anti-competitive Canadian trade practices". The CWB has filed a rigorous defense of the allegations. The CWB continues to work to defend Canadian farmers' right to a single desk marketing system.

In spite of these trade actions, the CWB is still trying to improve overall relations between Canada and the U.S. as they relate to the CWB. Initiatives to increase dialogue in 1999-2000 include a tour of the CWB by U.S. congressional staff in November 1999, and attendance at several U.S. farm meetings and conferences. The CWB also invites U.S. farmers and industry representatives to Canadian grain conferences.

Management Discussion & Analysis

of Financial Condition and results of Operations

Crop Year in Review

Global supplies

A large western Canadian wheat, durum and barley exportable surplus combined with abundant wheat and coarse grain supplies among the other major exporting countries ensured that the competitive global trade environment experienced in 1998-99 would continue for another year. Although world wheat, durum and barley supplies were expected to tighten, stronger import demand projections could not absorb the large stocks still held by the major exporting countries.

World wheat stocks going into the 1999-2000 crop year were down 2.3 million tonnes from the previous year to 136.3 million tonnes. Despite this decrease, prices remained under heavy pressure as the wheat stocks in the major exporting countries at the beginning of 1999-2000 had increased almost 12 million tonnes from the previous year to a burdensome 53.2 million tonnes. Over half of this increase in year-over-year beginning stocks occurred in the U.S. alone. Weak prices in the spring of 1999 sent a signal to producers worldwide who responded with a 20.5 million acre reduction in wheat area. However, the major exporting countries accounted for only 3.2 million acres of this decrease. As a result, despite initial indications of a significant drop in global wheat production in 1999-2000, prices were not forecast to recover to any great extent.

Global wheat supply and demand

Production ■ Consumption
(000 tonnes)

Durum producers faced a similar situation going into 1999-2000. World durum prices were suppressed by forecasts that suggested opening stocks in major exporting countries would be more than double those of the previous year. As a result, area sown to durum in the major exporting countries fell by two million acres as producers in Canada and the U.S. responded with significant acreage reductions. Conversely, producers in the EU, who were effectively insulated from world prices by their internal subsidy regime, did not respond.

World barley stocks going into 1999-2000 were also significant. Although estimated global carryout in 1998-99 was projected to fall two million tonnes from the previous year to 30.3 million tonnes, opening stocks in the major exporting countries were set to increase in 1999-2000. Following a year of extremely low barley prices, global barley area fell by 12.4 million acres, 5.1 million of which were taken out of production in the major exporting countries.

The western Canadian response

The prospect of durum prices being low relative to wheat prices at seeding time caused producers to seed more spring wheat in 1999 than they did in the previous year, increasing western Canadian spring wheat acreage 10 per cent from 18.4 to 20.3 million acres. Durum acreage fell almost 40 per cent from 7.3 million acres in 1998 to 4.4 million acres in 1999 while winter wheat acreage fell only slightly from 235,000 acres to 220,000 acres.

Barley acreage also fell from 10.5 million acres to 10.1 million in 1999. Compared to 1998, combined wheat, durum and barley acreage was down four per cent in 1999. Some of this production area was transferred to other crops while some was taken out of production completely because of low prices and poor weather conditions.

Growing the crop

Seeding conditions

Seeding in Western Canada was generally later than normal in 1999 as cool conditions and abundant rainfall slowed progress. In the month of May, precipitation over the southern prairies was significantly above normal, while amounts in northern regions were closer to normal. Temperatures in May were cool with most Prairie locations reporting deviations of one to two degrees Celsius below normal. These conditions resulted in slow seeding progress and serious planting delays in some regions. The areas that experienced the most severe delays were southeastern Saskatchewan and southwestern Manitoba, where above normal snowfall and excessive precipitation combined to limit seeding progress. The wet conditions continued through the month of June, resulting in significant abandonment of cropland in southwestern Manitoba and southeastern Saskatchewan.

In southern Alberta and southeastern Manitoba, producers managed to seed most of their crops early in May, before the heavy rainfall started. The Peace River region also began its growing season earlier than normal due to dry, warmer than normal spring weather. As a result of the prolonged seeding period and dramatic regional difference in seeding dates, crop development stages varied greatly throughout the growing season.

The growing season

Wet conditions persisted through June across most of the Prairies. In areas where crops were emerging, these soil moisture levels resulted in above average stands with excellent yield potential. Later seeded crops had difficulty in handling the excess moisture, and the resulting stands were poorer than the earlier seeded crops. The frequent rainfall pattern continued through July, which helped to maintain crop conditions. Temperatures remained cooler than normal through June and July, with stations reporting monthly averages ranging from 0.5 to three degrees Celsius below normal. The coolest temperatures were reported in the western regions of the Prairies. August brought a change in the weather as the rains tapered off and temperatures climbed to normal or above normal levels across the Prairies. The warm temperatures helped encourage crop development, although most regions were still 10 to 15 days behind normal development at the end of the month.

The only exception to the wetter than normal conditions in June and July was the Peace River region of Alberta. This region received below normal precipitation during June, which caused stress to developing crops. Dry conditions persisted through July and August, reducing yields significantly.

The harvest

The lateness of the crop across the Prairies raised concerns about the potential for severe quantity or quality loss due to frost. With a few exceptions, locations throughout the Prairies did not report freezing temperatures until the second half of September. The first frost dates during 1999 were very close to, or after, the average frost date for the region. This allowed the bulk of the crop to mature before the first killing frost of the season. There were some regions that reported early frost, namely the foothills of southern and central Alberta and east-central Alberta which reported sub-zero temperatures during the first week of September. During the same week, parts of northern and west-central Saskatchewan reported light frosts.

The bulk of the harvest in Western Canada started in September and finished in October. Precipitation during September and October was below normal in the western half of the Prairies, which helped maintain the quality of grain, despite the prolonged harvest. The eastern half of the Prairies received normal to above normal

precipitation during September and October, which resulted in some deterioration of crop quality.

The results

The cool wet growing conditions throughout the growing season helped produce record wheat, durum and barley yields in Western Canada, which offset the acreage decrease. As a result, western Canadian wheat production, excluding durum, was up by 24 per cent to 21.0 million tonnes, durum production fell by only 29 per cent to 4.3 million tonnes and barley production increased four per cent to 12.2 million tonnes.

The grade pattern of the 1999 crop was lower than the exceptional results achieved in 1998, but still very close to the long-term averages for both wheat and durum. The wet growing season did result in some downgrading due to disease (ergot and fusarium) and insect damage (wheat midge), especially in the eastern growing areas of the Prairies. The late harvest also resulted in some downgrading due to frost. In barley, ample moisture during the growing season and relatively cool temperatures resulted in good kernel plumpness and lower protein levels. These moist cool conditions combined with the late harvest to cause some downgrading due to poor visual kernel characteristics (staining) and disease.

[illegible] market characteristics

In 1999-2000, global wheat production, although well above the five-year average of 568.5 million tonnes, fell to 586.3 million tonnes from 588.4 million tonnes in 1998-99. Production decreases in Algeria, Morocco, Turkey, Ukraine, Eastern Europe, the EU and the U.S. were only partially offset by larger production in Argentina, Australia, Canada, China, India and Russia. Global wheat consumption increased by 4.8 million tonnes reaching 595.6 million tonnes with the largest increases seen in China and India. World ending stocks tightened by 9.2 million tonnes as consumption outstripped production for the second year in a row. World trade was markedly stronger, up 6.5 million tonnes to 108.8 million tonnes. This was largely due to the 4.7 million tonne increase in import demand from Iran to supplement their drought-damaged crop. This, however, seemed to have little impact on prices because an estimated 40 per cent of world wheat ending stocks was still held in the

major wheat exporting countries at the end of 1999-2000, unchanged from 1998-99.

Although durum prices recovered slightly from 1998-99 lows and once again returned a premium over hard red spring wheat, global durum prices remained under pressure as large opening stocks partially offset the decrease in global production. As a result, there was only a slight decline in major exporter supplies from the burdensome levels seen in 1998-99. Increased competition from minor exporting countries like Australia, Turkey and Mexico, also helped to put downward pressure on global durum prices despite increased demand.

Feed barley prices were also weak in 1999-2000. Very high ending stock levels of corn in the U.S., China and Argentina weighed heavily on coarse grain export values. Some support for feed barley export prices was derived from strong import demand in the Middle East and a large drop in global barley stocks, most of which occurred in the EU as a result of its ambitious export program.

Amid the downward price pressure on most commodity markets in 1999-2000, malting barley prices actually improved slightly as tighter global supplies for both two-row and six-row met record import demand, especially in China.

Domestic markets

The Canadian domestic industry continued to be a major user of Prairie-grown wheat, durum and barley. The domestic milling industry was once again among the four highest volume customers for wheat, taking almost 2.2 million tonnes in 1999-2000. Domestic durum mills purchased 300 000 tonnes, making them the fourth largest customer for Canadian durum. The domestic malting industry kept its position as the largest volume customer by purchasing 1.2 million tonnes of designated barley (barley used for malting and human consumption) while continued strength in the domestic feed market allowed most of the feed barley to be consumed locally.

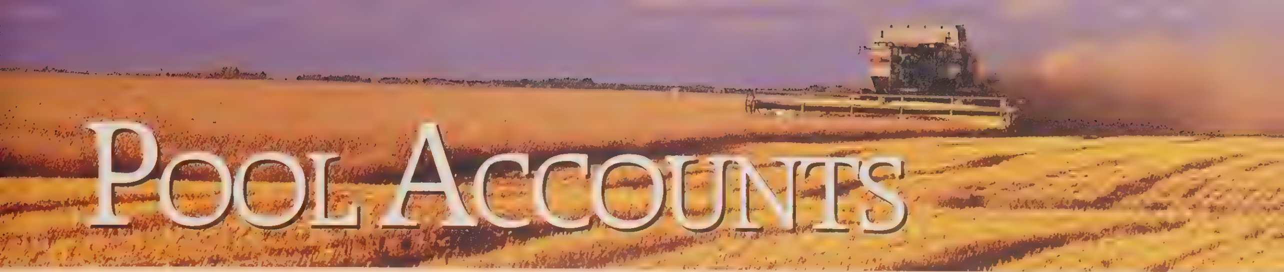
Export markets

The CWB exported almost 19.3 million tonnes of grain in 1999-2000, up substantially from the 15.3 million tonnes of CWB wheat and barley exports in the previous year. The CWB export program was evenly distributed throughout 1999-2000 as producer delivery opportunities were matched with customer demands moving the high volume crop to effectively maximize pool returns.

Iran, Japan, the U.S. and Mexico were the largest-volume export markets for non-durum wheat. Strong durum sales to Algeria, Morocco, Venezuela and the U.S. made up almost 73 per cent of the CWB export program. Japan and Saudi Arabia were the highest volume importers of western Canadian feed barley while the U.S. and China remained the largest volume importers of malting barley.

Canada's share of global wheat trade increased to 17.3 per cent, up from 13.8 per cent in 1998-99, largely due to increased production and a significant increase in exports to Iran. Canada's share of the global bulk durum trade was an estimated 60.2 per cent, down 0.1 per cent from 1998-99 despite a 200 000 tonne increase in exports during the inter-national trade year. This small decrease in market share can largely be attributed to increased competition from minor exporting countries such as Australia and Turkey who had significantly higher volumes available for export.

The Canadian share of total world barley trade was 9.6 per cent in 1999-2000, an increase of more than three per cent over 1998-99. Export sales opportunities rose as a result of increased deliveries to the feed barley and designated barley pool accounts. The Canadian share of global malting barley trade was 24.6 per cent in 1999-2000, down 0.6 per cent from the previous year despite an increase in Canadian malting barley exports during the trade year. A large portion of the increase in Chinese demand was captured by the EU's subsidized malting barley export program in 1999-2000 that provided average subsidies of US $28 per tonne from August 1999 through to May 2000.



Pool Accounts

The combined total sales revenue from the four pool accounts - wheat, durum, barley and designated barley - exceeded $4.5 billion this year, an increase of 12 per cent over the previous year. This maintains the CWB's position as Canada's third largest exporter in terms of sales revenue. Total tonnes handled this year increased by 20 per cent, from 19.6 million to 23.6 million. However, average sales revenues per tonne for the four pool accounts combined decreased by seven per cent from the previous year.

Operating costs are divided into four components for easier understanding - direct costs, administrative and general expenses, grain industry organizations and net interest earnings.

Direct costs

Direct costs include storage and financing costs for country inventory, terminal storage, despatch earnings net of demurrage expense, drying charges, depreciation and interest on CWB hopper cars and additional freight costs resulting from movement of grain to terminals, movement eastward of Thunder Bay into export position and changes in freight rates. Direct costs totalled $180.6 million or 4.0 per cent of sales revenue in 1999-2000, compared to $149.1 million or 3.7 per cent of sales revenue in the previous year. These costs are discussed for each pool account in the following sections.

Despatch earnings realized when vessels are loaded in a timely fashion added a total of $5.8 million to the 1999-2000 pool accounts.

Administrative and general expenses

Administrative and general expenses, which represent the costs of running the CWB, totalled $60.3 million for the 12 month period ended July 31, 2000, an increase of 10 per cent over the previous year. In addition, the CWB incurred other costs of $3.4 million related to corporate reorganization, director elections and addressing U.S. trade challenges. These costs are discussed in detail in the section entitled *Running the CWB.*

The marketing of a crop differs in timing compared to the crop year, which extends from August 1 to the following July 31. The marketing effort during the first several weeks of a crop year is primarily focused on selling and moving the remainder of the previous year's crop. Of the $63.7 million in administrative and general expenses incurred during the year ended July 31, 2000, an estimated $20.7 million, or 32 per cent, was related to marketing and administering the 1998-99 pool accounts. Consistent with the accounting treatment in previous years, these costs were allocated to and included in the results of the 1998-99 pool accounts. Other allocations from the administrative and general expenses incurred during the year ended July 31, 2000, which are not charged to the 1999-2000 pool accounts,

include $0.3 million for administering farmer payments and uncashed cheques from previous crop years, and $0.2 million for administering the newly introduced Fixed Price Contract Program.

In order to complete the matching of costs to the pool accounts to which they relate, a portion of the administrative and general expenses expected to be incurred during the 12 months beginning August 1, 2000 must be allocated to and included in the results of the 1999-2000 pool accounts. The allocated amount totals $21.2 million.

Grain industry organizations

The cost of grain industry organizations represents the CWB's 40 per cent share of the Canadian International Grains Institute (CIGI) operating costs. CIGI is a non-profit facility dedicated to providing educational programs and technical activities in support of market development and promotion of world markets for Canada's grains, oilseeds and special crops. CIGI operates in affiliation with the CWB, the Canadian Grain Commission and Agriculture & Agri-Food Canada. Total costs incurred by the CWB during the current crop year for CIGI was $1.7 million, a slight increase of two per cent over the previous year.

The CWB also is responsible for a 33 per cent share of the Car Allocation Policy Group (CAPG) operating costs. CAPG sets policy for high-level rail car allocation and all costs are shared equally by the CWB, the Western Grain Elevator Association and the railways. CAPG ceased to exist on July 31, 2000. No costs were incurred during the current year.

Net interest earnings

Net interest earnings arise primarily from financing credit grain sales. When the CWB sells grain on credit, the CWB borrows money equal to the amount extended as credit to pay farmers, rather than have the farmer wait for payment from the credit customer. With the CWB's borrowing power, it is able to borrow money at a lower rate of interest than the rate extended to the credit customer. As a result, the CWB benefits from this 'spread' in interest rates in the form of

Net Interest Earnings
(in millions)

excess interest revenue over interest expense. The net interest earnings go directly into the pool accounts and are paid as part of final payments. Interest is also earned on the cash balances that build up in the pool accounts during the year. Net interest earnings for the current year amounted to $64.9 million, down 10 per cent from $72.5 million the previous year.

Distributed to producers

After deducting net operating costs of $181.2 million, the CWB returned over $4.3 billion to western Canadian farmers before cash ticket deductions for freight and handling, representing almost 96 per cent of the $4.5 billion in sales proceeds. This is similar to 97 per cent returned in the previous year.

Of the $4.3 billion earnings distributed to producers in 1999-2000, 93 per cent was returned prior to July 31, 2000 in the form of initial payments, adjustment payments and designated barley producer contract storage payments. This is up from 91 per cent in the previous year.

Distribution of sales proceeds (All Grains)
1999-2000

WHEAT

Wheat pool results

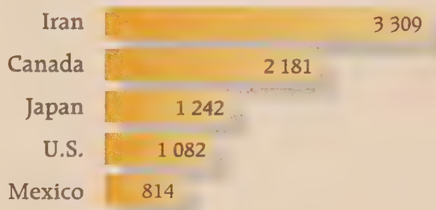
$ per tonne, except as noted	1999-2000	1998-1999	Change	%
Tonnes	16 426 836	12 512 726	3 914 110	31
Revenue	185.04	205.71	(20.67)	(10)
Operating costs				
Direct costs	5.54	5.18	0.36	7
Administrative & general expenses	2.70	2.81	(0.11)	(4)
Grain industry organizations	0.07	0.09	(0.02)	(20)
Net interest earnings	(2.91)	(4.15)	1.24	(30)
	5.40	3.93	1.47	37
Earnings distributed to producers	179.64	201.78	(22.14)	(11)

The wheat crop

The 1999 growing season got off to an early start in some areas with warm dry conditions, while in other areas of the Prairies seeding was delayed by heavy snow cover, above normal precipitation and cooler than normal temperatures. The prolonged seeding period created a wide variation in crop development throughout the growing season. Although adequate rainfall and cool temperatures through May, June and July helped to produce record spring wheat yields, averaging over one tonne per acre, CWRS protein levels fell substantially from an average of 14.1 per cent in 1998-99 to an average 13.3 per cent. This is slightly below the five-year average of 13.4 per cent. Moreover, these conditions put the crop 10 to 15 days behind normal, leaving the crop susceptible to frost damage and increasing the presence of green immature kernels in some areas. Ergot, fusarium and midge were also noticeable grade determinants. Only 65 per cent of the CWRS graded number one or two in 1999-2000, below the five-year average of 70 per cent.

A 10 per cent increase in acreage coupled with record yields resulted in 21.0 million tonnes of wheat production, an increase of about 24 per cent over last year's production of 16.9 million tonnes. As a result, farmers delivered 16.4 million tonnes to the pool account, an increase of 31 per cent over 12.5 million tonnes the previous year.

Largest volume wheat customers
(000 tonnes) 1999-2000



Revenue

Total revenue was $3.0 billion, an increase of $465.6 million or 18 per cent over the previous year. This increase is due to the 31 per cent larger pool size, partially offset by lower per tonne returns. Per tonne returns averaged $185.04, down 10 per cent from the previous year's average of $205.71 because of significantly lower grade and protein pattern in CWRS, lower world prices particularly for mid-quality and lower protein wheat and a stronger Canadian dollar. It is also important to note that a larger pool size meant that a larger proportion of the total

crop had to be sold into lower return markets.

Although the crop was larger, supplies of higher-grade high protein wheat were relatively tight. With a relatively stable price outlook, the CWB was able to manage the tighter supply and target quality-conscious customers throughout the year to capture the higher returns. The strategy was different for lower grade, lower protein wheat and for specialty classes. Facing an abundance of mid-quality, low protein wheat and large supplies held by other major exporters, the CWB undertook an aggressive campaign early in the crop year. This allowed the CWB to provide good harvest movement ahead of the competition from the southern hemisphere and to minimize the impact of that competition on returns.

Operating costs

Direct costs totalled $5.54 per tonne, an increase of $0.36 or seven per cent from the prior year. Direct costs as a percentage of sales increased to 3.0 per cent from 2.5 per cent the previous year, primarily due to lower sales revenues.

Inventory financing and storage costs totalled $3.83 per tonne, down $1.24 or 24 per cent from 1998-99. The grain terminal at Prince Rupert was kept open later in the crop year to increase terminal capacity and facilitate the movement of the larger pool. In addition, more grain was stockpiled in eastern export position to meet sales commitments. The increased terminal inventory levels facilitated the more aggressive sales campaign and allowed for more grain to be moved out of country position, resulting in increased turnover in the country and reduced costs.

Net despatch earnings added $0.28 per tonne to the wheat pool, a decrease of $0.15 or 34 per cent from the year before. The varied grade distribution and larger pool size presented some logistical challenges during the year and consequently, net despatch earnings declined accordingly. In spite of these challenges, the CWB was able to generate revenue of $4.6 million for the wheat pool.

Additional freight cost to terminals totalled $0.64 per tonne, up $0.46 from last year. In order to maximize returns, the CWB cross-hauled significant quantities of high protein wheat from eastern producing regions to take advantage of West Coast sales opportunities. The higher returns on these sales resulted in net contributions that exceeded the alternative of shipping the grain east through Thunder Bay or the St. Lawrence.

,Additional freight to move wheat into eastern export position totalled $1.23 per tonne, an increase of $1.02 over the previous year. Total costs of moving grain into eastern export position were consistent with the previous year, at just over $43 million, as marginally more tonnage was shipped east but at more favourable rates compared to last year. This amount was reduced by freight adjustment factor deductions of $23 million from producer cash tickets this year, down from $41 million in 1998-99. The decrease in deductions happened because overall production distribution in the eastern catchment regions changed subsequent to the setting of the deduction rates at the start of the crop year.

A decrease in freight rates effective August 1, 2000 resulted in earnings of $0.04 per tonne. This represents the difference in

the actual rate of shipping grain to terminal from that deducted on the cash ticket.

Drying charges were negligible again this year as favourable harvest conditions were experienced in most production areas. The per tonne charge for CWB hopper cars, which is allocated to the pool accounts based on relative tonnage, is down slightly from the previous year.

Net interest earnings added $2.91 per tonne to the wheat pool, down $1.24 or 30 per cent from the previous year. The decrease can be attributed to lower overall net interest earnings that are distributed over a larger number of tonnes. The decrease in overall net interest earnings, to $47.7 million from $52.0 million the year before, resulted because of rising interest rates that led to reduced net interest earnings on credit receivables. This occurs because interest rates charged to credit customers are usually fixed for three to six months, which is longer than the rates for the corresponding financing. The rise in both Canadian and U.S. interest rates continued throughout the current year.

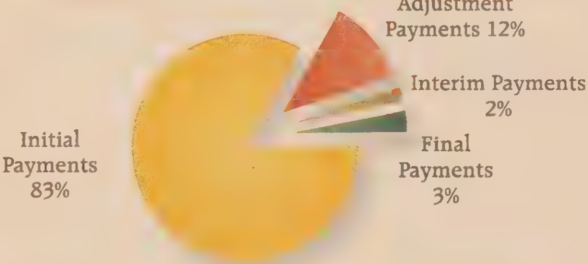
Earnings distributed to producers

In the 1999-2000 wheat pool account, 97 per cent of sales proceeds were returned to producers, consistent with the previous year.

Of the amount distributed to producers, 95 per cent was distributed prior to August 4, 2000 through initial and adjustment payments, comparing favorably to 92 per cent the previous year.


Stan Wiebe (right) from MacGregor, Manitoba discusses a grain sample with Bernard Prince from Delmas, Saskatchewan at a Combine to Customer course.

Earnings distributed to producers (Wheat)
1999-2000



DURUM

Durum pool results

$ per tonne, except as noted	1999-2000	1998-1999	Change	%
Tonnes	3 975 734	4 904 639	(928 905)	(19)
Revenue	224.48	220.65	3.83	2
Operating costs				
Direct costs	20.45	16.44	4.01	24
Administrative & general expenses	2.70	2.81	(0.11)	(4)
Grain industry organizations	0.07	0.09	(0.02)	(20)
Net interest earnings	(1.90)	(2.05)	0.15	(7)
	21.32	17.29	4.03	23
Earnings distributed to producers	203.16	203.36	(0.20)	(0)

The durum crop

In response to a weaker price outlook, producers in Western Canada reduced their durum plantings from 7.3 million acres in 1998 to 4.4 million acres in 1999. This reduction in acreage was partially offset by record yields of almost one tonne per acre, resulting in an overall decline in production of 29 per cent when compared to the previous year. Total production of durum for the current crop year amounted to 4.3 million tonnes. Similar to spring wheat, good growing conditions stimulated higher durum yields and lower protein estimates which averaged 11.9 per cent compared to 12.5 per cent a year earlier. This is slightly below the five-year average of 12.2 per cent. The grade distribution of the crop was also poorer with approximately 61 per cent of the CWAD grading number one and two compared to 76 per cent last year and a five-year average of 66 per cent. The durum pool was slightly less than four million tonnes in 1999-2000, representing a decrease of 19 per cent from the previous year.

Revenue

Total revenue was $892 million, a decrease of $190 million or 18 per cent from the previous year. This decrease is due primarily to the smaller pool size, as per tonne returns

Largest volume durum customers
(000 tonnes) 1999-2000

of $224.48 were slightly higher than last year's average return of $220.65.

World durum wheat production decreased by 15 per cent in 1999 while import demand was increased by 13 per cent. World ending stocks were drawn down during 1999-2000, largely among the major exporting countries. However, stocks remained at burdensome levels, particularly in North America. Canada's share in the world market was about 60 per cent of the bulk durum trade. Increased exports from Australia, the EU and other minor exporters provided increased competition. Algeria was again the largest Canadian export customer, taking 1.5 million tonnes. While shipments of durum to the U.S. decreased from 658 000 to 297 000 tonnes, shipments to both Morocco and Venezuela increased significantly. With a

lower grade pattern and lower protein compared to last year and the five-year average, the most effective marketing approach for the limited supplies of higher quality durum was to selectively target higher return customers over the year. Global trade in mid to lower quality durum markets was highly competitive and the CWB aggressively pursued export opportunities throughout the world. In addition to the acreage-based deliveries, the CWB accepted 100 per cent of the 3.6 million tonnes of durum offered for delivery by farmers under contract.

Operating costs

Direct costs totalled $20.45 per tonne, an increase of $4.01 or 24 per cent from the previous year. Direct costs as a percentage of sales increased to 9.1 per cent, up from 7.5 per cent the previous year primarily as a result of the increased proportion of grain moved into eastern export position and increased terminal storage.

Inventory storage and financing costs totalled $5.81, up $1.03 or 22 per cent over last year. Stocks built up in both country and terminal facilities this year as the CWB increased delivery opportunities to durum producers to improve their cash flow.

Net despatch earnings added $0.30 per tonne to the durum pool, an increase of $0.06 or 25 per cent from the year before as higher inventory in the St. Lawrence allowed for more efficient loading of customer vessels.

Additional freight cost to terminals was consistent with the previous year at $0.36 per tonne. Additional freight to move durum into eastern export position totalled $14.56 per tonne, up $3.22 or 28 per cent over the previous year. A greater proportion of durum was exported from eastern positions this year to take advantage of favourable ocean freight costs in the Atlantic. This made it more attractive to service North African customers from the east because it increased net returns to the durum pool. Additional freight from freight rate changes, representing the difference of the actual rate of shipping grain to terminal from that deducted on the cash ticket, added $0.13 per tonne in revenue to the durum pool due to a decrease in freight rates effective August 1, 2000.

Drying charges were negligible again as favourable harvest conditions were experienced in most production areas. The per tonne charge for CWB hopper cars, which is allocated to the pool accounts based on relative tonnage, is down slightly from the previous year.

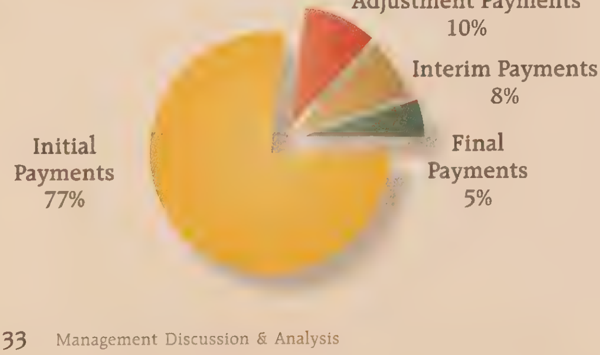
Net interest earnings added $1.90 per tonne to the durum pool representing a decrease of $0.15 or seven per cent from the prior year. Overall net interest earnings were down 25 per cent, to $7.6 million from $10 million last year, as a result of rising interest rates that led to lower net interest earnings on credit receivables. This drop is more significant than in wheat because durum earns a greater proportion of net interest earnings from credit receivables. The decrease in interest earnings per tonne was not as significant because the earnings were distributed over a smaller pool size.

Earnings distributed to producers

In the 1999-2000 durum pool account, 91 per cent of sales proceeds were returned to producers, down slightly from 92 per cent the previous year. This percentage is generally lower than the wheat pool primarily because the durum pool incurs higher costs associated with exporting a higher proportion of grain out of eastern ports.

Of the amount distributed to producers, 87 per cent was distributed prior to August 4, 2000 through initial and adjustment payments, compared to 89 per cent the previous year. This is because of the greater risk associated with a higher proportion of unsold stocks later in the year.

Earnings distributed to producers (Durum)
1999-2000



Feed Barley

Feed barley pool results

$ per tonne, except as noted	1999-2000	1998-1999	Change	%
Tonnes	671 703	277 100	394 603	142
Revenue	134.38	138.39	(4.01)	(3)
Operating costs				
Direct costs	4.62	8.25	(3.63)	(44)
Administrative & general expenses	2.70	2.81	(0.11)	(4)
Grain industry organizations	0.07	0.09	(0.02)	(20)
Net interest earnings	(7.90)	(22.34)	14.44	(65)
	(0.51)	(11.19)	10.68	(95)
Earnings distributed to producers	134.89	149.58	(14.69)	(10)

The barley crop

Seeded barley acreage in Western Canada decreased by almost 0.5 million acres to 10.1 million acres in 1999. With the help of record yields, however, production climbed to 12.2 million tonnes, up 0.5 million tonnes from 1998. Farmer deliveries to the barley pool totalled 671 703 tonnes, up 142 per cent from 277 100 tonnes the previous year. Factors that affected the volume of feed barley deliveries into the pool were the increase in western Canadian barley production, some weakness in domestic demand as a result of a mild winter and a strengthening in offshore prices late in the crop year.

Revenue

This increased pool size resulted in total revenue of $90 million, up $52 million or 135 per cent from the previous year. This increase is due primarily to the larger pool size, offset slightly by lower average revenue of $134.38 per tonne, which is down by $4.01 from the previous year. Market prices were relatively flat although they were pressured for much of the year by the expectation of a huge U.S. corn crop. As with the other pools, the stronger Canadian dollar had a negative impact on the average return.

Deliveries to the feed barley pool are highly dependent on projected CWB returns on export sales relative to the domestic market. The domestic feed barley market was somewhat weaker in 1999-2000 given the larger feed grain supplies. Concurrently, changes in the EU's approach to pricing export feed barley resulted in relatively stronger international prices. Given these conditions, the CWB export program was higher than 1998-99 with a larger proportion of barley sales later in the crop year as world barley prices strengthened. In addition to regular contract deliveries, the CWB implemented an open delivery for feed barley late in the crop year to take advantage of the strong offshore feed barley market. This initiative was very successful and allowed for additional sales into the export

Largest volume feed barley customers
(000 tonnes) 1999-2000

market at attractive levels. The increased deliveries this pool year allowed the CWB to pursue opportunities in Japan, Saudi Arabia and the U.S., increasing feed barley export shipments to 598 000 tonnes from 127 000 tonnes during 1998-99.

Operating costs

Direct costs totalled $4.62 per tonne this year, a decrease of $3.63 or 44 per cent from the previous year. Direct costs as a percentage of sales decreased to 3.4 per cent, down from 6.0 per cent the previous year primarily due to decreased costs of country elevator storage and moving grain into eastern export position.

Inventory financing and storage costs totalled $4.26 per tonne, down $3 or 41 per cent from the previous year. The larger pool size facilitated a more evenly distributed export sales program and allowed for more fluid movement of barley through the distribution system. This reduced the average time that barley stocks remained in country and terminal elevators.

Additional freight cost to terminals was $0.38 per tonne. The CWB utilized the grain terminal in Prince Rupert this year to facilitate additional export sales of feed barley and enhance the overall pool return. Freight rates are slightly higher for movement to Prince Rupert compared to Vancouver. There were no additional freight costs to move barley into eastern export position this year as no barley was shipped east. Additional freight from freight rate changes, representing the difference in the actual rate of shipping grain to terminal from that deducted on the cash ticket, added $0.19 per tonne in revenue to the barley pool due to a decrease in freight rates effective August 1, 2000.

Drying charges were negligible as favourable harvest conditions were experienced in most production areas. The per tonne charge for CWB hopper cars, which is allocated to the pool accounts based on relative tonnage, is down slightly from the previous year.

Net interest earnings added $7.90 revenue per tonne to the barley pool, which was down 65 per cent from $22.34 last year. As a result of increasing interest rates, overall net interest earnings were down 14 per cent to $5.3 million from $6.2 million the previous year. These earnings however, were distributed over a much larger pool account with 142 per cent more tonnes, resulting in a significant drop in net interest earnings per tonne.

Earnings distributed to producers

The 1999-2000 barley pool account returned $134.89 per tonne to producers, representing a return of more than 100 per cent of the sales value. The majority of net interest earnings in the feed barley pool were earned from credit receivables and do not fluctuate with pool size or with the cash build-up in the pool accounts from operations. During years when the number of tonnes in the pool are small, the interest earned on a per tonne basis can be substantial, and can even exceed total direct costs and administrative expenses resulting in net operating earnings. In fact this year, net interest revenue exceeded the other operating costs by $0.51 per tonne. This amount is down from over $11 in the previous year when the net interest revenue was spread over an exceptionally small pool size of 277 100 tonnes.

Of the total amount returned to producers, 91 per cent was distributed prior to August 4, 2000 through initial and adjustment payments, comparing favourably to 88 per cent the previous year.

Earnings distributed to producers (Feed barley)

1999-2000

Designated Barley

Designated barley pool results

$ per tonne, except as noted	1999-2000	1998-1999	Change	%
Tonnes	2 554 577	1 921 667	632 910	33
Revenue	**188.85**	172.81	16.04	9
Operating costs				
Direct costs	**2.08**	0.71	1.37	193
Administrative & general expenses	**2.70**	2.81	(0.11)	(4)
Grain industry organizations	**0.07**	0.09	(0.02)	(20)
Net interest earnings	(1.69)	(2.24)	0.55	(25)
	3.16	1.37	1.79	131
Earnings distributed to producers	185.69	171.44	14.25	8

Revenue

In 1999-2000, both the EU and Canada increased their exports to meet record world demand. Exports of Canadian malting barley were up 16 per cent from the previous year. Import demand from the world's largest buyer of malting barley, China, has increased steadily since 1997-98. In the face of aggressive competition from both Australia and the EU, the CWB targeted customers that were prepared to pay a premium for Canadian varieties and quality. Premiums were consistently obtained for Canadian two-row malting barley over EU and Australian offerings. With a much smaller six-row crop in the U.S., the CWB timed sales strategically to maximize returns. As a result, total revenue topped $482 million, up by 45 per cent compared to $332 million in 1998-99. Sales value per tonne averaged $188.85, an increase of nine per cent over $172.81 the previous year.

The 1999-2000 designated barley pool was the largest ever at 2.55 million tonnes, exceeding the previous record set in 1995-96 by 4 000 tonnes.

Operating costs

Direct costs totalled $2.08 per tonne, a significant increase of $1.37 compared to $0.71 the previous year. Direct costs as a percentage of sales increased to 1.1 per cent, up from 0.4 per cent in the previous year as a result of an increase in the cost of country inventory financing and country elevator storage.

Inventory financing and storage costs totalled $2.01 per tonne, an increase of $1.46 over 1998-99. There were a number of factors that contributed to this increase. Comparably slower movement was experienced with some of the newer varieties of designated barley as they continue through the early stages of gaining customer acceptance. A significant increase in pool size, an increase in the proportion of street receipts versus

Largest volume malting barley customers
(000 tonnes) 1999-2000

consigned receipts and shipping delays later in the year as a result of dormancy-related germination problems served to increase inventory. Toward the end of the year, the CWB strongly encouraged grain companies to select barley to provide producers with additional delivery opportunities. This resulted in increased inventory.

Additional freight from freight rate changes, representing the difference in the actual rate of shipping grain to terminal from that deducted on the cash ticket, added $0.06 per tonne of revenue to the pool account due to a decrease in freight rates effective August 1, 2000.

The per tonne charge for CWB hopper cars, which is allocated to the pool accounts based on relative tonnage, was down slightly from the previous year.

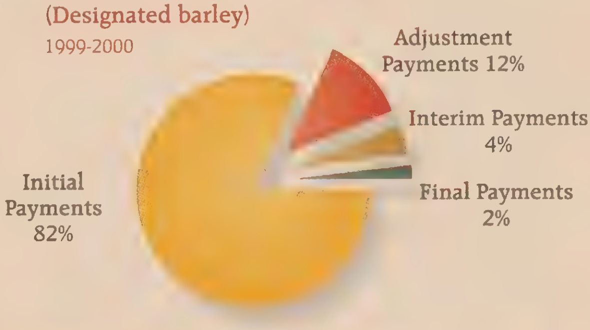
Net interest earnings added $1.69 per tonne to the designated barley pool, down $0.55 or 25 per cent from the previous year as a result of the larger pool size. Overall net interest earnings, at $4.3 million, were similar to the previous year. Unlike other pool accounts, the designated barley pool account has minimal credit receivables. As a result, the majority of net interest earnings is earned on cash balances that build up in the pool during the year. The build up of cash balances was consistent with the previous year. However, these earnings were distributed over 33 per cent more tonnes this year, reducing the net interest earnings per tonne.

Earnings distributed to producers

In the 1999-2000 designated barley pool, 98 per cent of sales proceeds were returned to producers, roughly equivalent to 99 per cent the previous year.

Of the amount distributed to producers, 92 per cent was distributed prior to August 4, 2000 through initial and adjustment payments, compared to 86 per cent the previous year.

Earnings distributed to producers (Designated barley)
1999-2000



Running the CWB

Administrative & general expenses

	1999-2000 Budget	1999-2000 Actual	1998-1999 Actual
CWB costs			
Advisory Committee	$ -	$ -	$ 54,816
Board of Directors	1,441,164	1,177,752	825,310
Computer contractors	3,446,486	4,119,871	4,176,889
Computer maintenance & services	5,273,469	4,376,270	3,696,916
Communications	642,095	719,395	654,701
CWB publications *(See note)*	748,650	771,341	639,952
Farmer permits, contracts & payments *(See note)*	666,500	601,355	453,163
Facilities	1,708,983	1,668,507	1,613,995
Office services *(See note)*	3,237,094	2,574,637	2,666,514
Human resources	30,816,053	30,580,409	27,953,462
Training and development	860,000	456,544	702,732
Recruiting	167,400	320,718	122,881
Other	581,050	642,216	623,837
Professional fees & outside services	1,717,334	1,546,968	2,156,457
Taxes	428,027	400,244	415,285
Travel	1,970,647	1,495,541	1,306,676
Total excluding depreciation	53,704,952	51,451,768	48,063,586
Depreciation	8,470,468	8,875,490	6,835,975
	62,175,420	60,327,258	54,899,561
Other costs			
Corporate reorganization	-	2,583,072	-
U.S. trade challenges	-	732,582	447,443
Director elections	300,000	70,216	1,242,423
	300,000	3,385,870	1,689,866
Total	$ 62,475,420	$ 63,713,128	$ 56,589,427

Note – Costs associated with printing and distributing farmer permit books and delivery contracts, and preparing and issuing adjustment, interim and final payments are disclosed separately as "Farmer permits, contracts & payments". These costs have previously been disclosed as part of "CWB publications" and of "Office services". Current year budget and previous year comparative figures have been reclassified to conform to the new presentation.

Results

The cost of running the CWB, before other costs, was $60.3 million, which was $1.8 million, or three per cent, less than what had been budgeted. The Board of Directors and management team have made a concerted effort to achieve savings from budgeted levels wherever possible while at the same time delivering improved service to customers and farmers. Savings have been achieved from deferring or cancelling certain computer-related expenditures, reducing staff counts, purchasing telephone and office equipment rather than leasing, and scheduling less frequent Board of Director and standing committee meetings. In addition, some travel and training was deferred or cancelled due to resource constraints and the need to focus attention on transportation and other issues on behalf of farmers. These savings were partially offset by additional costs for depreciation and computer contractors related to building and maintaining the CWB's complex computer systems and processes.

The CWB incurred other costs totalling $3.4 million for the 12 month period ending July 31, 2000 related to corporate reorganization, addressing U.S. trade challenges and preparation for director elections in five districts in the fall of 2000.

CWB costs

There were no costs related to the Advisory Committee since it was eliminated on December 31, 1998 as part of Bill C-4, *An Act to Amend the Canadian Wheat Board Act*. Costs associated with the Board of Directors totalled $1.2 million. This was 18 per cent below budget as a result of scheduling fewer Board and standing committee meetings during the year. The previous year figures were lower because the Board of Directors did not take office until December 31, 1998.

The operations of the CWB are heavily reliant on complex computer information systems. The cost of maintaining and supporting the CWB computer systems increases as they age. The increase in computer maintenance and services costs was not as large as anticipated because certain costs have been deferred or cancelled, especially for systems that are in the process of being replaced over the next two years. From time to time, computer contractors with specialized expertise are required to supplement CWB staff for the maintenance or development of these systems. This year's planned reduction in computer contractor costs did not occur because of the difficulty of finding and hiring staff with special skills in the local market.

As part of the commitment to openness and accountability, the CWB must ensure that farmers, customers, staff, media, government and the public at large are informed about new and existing programs and services, and grain and agricultural issues. Communications costs include advertising, producer meetings, crop demonstration sites, the *Combine to Customer* and *Go with the Grain* tour programs, and the annual *Moving Up Market* conference. These costs were budgeted to be consistent with last year, but actual costs were higher by 10 per cent as a result of adding *It's Your Business* meetings to the plan. These meetings were held across the Prairies in March, offering farmers the opportunity to talk to their

Board of Directors

	1999-2000 Budget	1999-2000 Actual	1998-1999 Actual
Remuneration		$ 734,358	$ 432,444
Travel & business expenses		322,271	220,896
District communications		8,289	24,600
Board & committee costs		112,834	147,370
Total	*$ 1,441,164*	$ 1,177,752	$ 825,310

elected Directors about what they want from their marketing agency and receive an update on past and future activities.

CWB publication costs include the cost of printing and distributing the annual report, *Grain Matters*, *Pool Return Outlooks* (PRO) and customer newsletters, along with various producer and industry brochures and guides explaining programs and services. Costs were slightly higher than planned and up from last year as a result of revising *Grain Matters* to a magazine format and improving and expanding the CWB calendar. These additional costs were partially offset by savings from moving the design of the annual report in-house.

Costs associated with printing and distributing farmer permit books and delivery contracts, and preparing and issuing adjustment, interim and final payments are now disclosed separately under "Farmer permits, contracts & payments". These costs have previously been disclosed as part of "CWB publications" and "Office services". These costs were up 33 per cent, mainly due to more adjustment payments – five payments totalling 325,000 cheques and direct deposits this year compared to three payments totalling 272,000 the previous year.

The CWB operates branch offices in Vancouver and Regina, marketing offices in Tokyo, Japan and Beijing, China and a head office in Winnipeg. The costs of operating these facilities and providing related office services are well below budget this year and down from last year as a result of continued attention to reducing costs. Some leased office space was eliminated and certain office and telecommunications equipment has been purchased rather than leased where it is more economical to do so. The CWB has also benefited from the downward trend in long distance telephone rates.

Human resource costs represent the costs associated with developing and retaining a motivated, skilled professional work force. They account for 50 per cent of the cost of running the CWB. Salary costs increased by 5.6 per cent over the previous year as a result of an average salary increase of 3.0 per cent on August 1, 1999. Additional costs were incurred related to ensuring that CWB remuneration is competitive with market levels and ensuring retention of staff in key positions. These increases were partially offset by a decrease in the average number of staff during the year to 533, compared to 551 in 1998-99. The cost of benefits increased at a greater rate than salary as a result of the federal government's decision to more than double the employer share of contributions under the *Public Service Super-annuation Act*, combined with an increase in certain benefit rates.

Training and development costs were significantly lower than planned, and down from last year. The 1999-2000 budget was designed to return the investment in staff training and development to more normal levels, after several years of constraint and cutback. The strength of the current labour market makes this a necessity in order to attract and retain quality employees. Unfortunately, significant training was deferred or cancelled due to resource constraints and the need to focus attention on transportation and other issues on behalf of farmers.

Recruiting costs were higher than planned as the CWB, like most companies

Human Resources

	1999-2000 Budget	1999-2000 Actual	1998-1999 Actual
Salaries		$ 23,867,035	$ 22,595,667
Benefits		6,172,194	4,820,025
Payroll tax		541,180	537,770
Total	*$ 30,816,053*	**$ 30,580,409**	$ 27,953,462

heavily reliant on technology, had to compete in a very tight labor market for skilled resources. In many cases it was necessary to recruit and hire outside of the local market at a higher cost.

Professional fees and outside services were less than anticipated and down significantly from last year as a result of a reduction in the use of management consultants.

CWB's investment in capital assets – with the exception of the CWB hopper cars, which are charged directly to the pool accounts. Depreciation increased this year by a total of $2 million primarily as a result of a one-time $1.5 million charge to write-down obsolete computer systems and revise estimates of useful life.

Professional fees and outside services

	1999-2000 Budget	1999-2000 Actual	1998-1999 Actual
Audit fees		$ 170,000	$ 163,000
Insurance		181,190	170,030
Legal fees and court costs		234,086	205,060
Management consulting		723,524	1,228,833
Other professional fees		48,030	137,354
Temporary staffing agencies		190,138	252,180
Total	*$ 1,717,334*	$ 1,546,968	$ 2,156,457

Taxes include municipal and provincial realty, school and business tax assessments and are down again as the City of Winnipeg continues to hold the line on these taxes to encourage business to locate downtown and to stimulate usage of surplus property.

Travel costs are significant for a marketing agency with customers all over the globe. Travel costs were up this year, but it is important to note that the previous year was characterized by a smaller high protein crop that required less travel to support the marketing effort. The current year also saw increased fares as a result of decreased competition in the Canadian airline industry with the merger of the two dominant carriers.

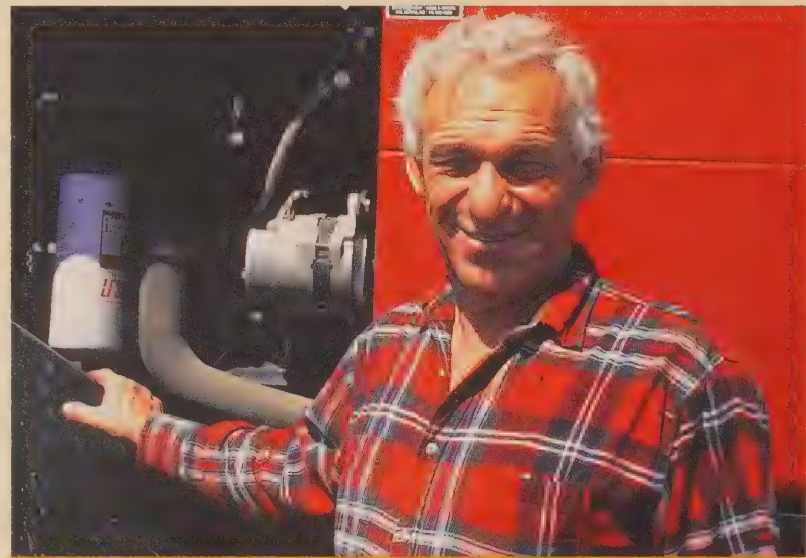
Depreciation expense accounted for almost 15 per cent of costs and reflects the amortization of the

Ken Ritter (left) talks with reporters at the CWB's crop year-end news conference on August 2, 2000. The CWB's goals include providing as much information as possible to farmers.

Other costs

The Board of Directors and the management team are committed to positioning the CWB to add value for prairie farmers. As part of this effort, a corporate reorganization took place during the year that was designed to streamline operations and improve effectiveness. As part of this reorganization, the CWB offered an early retirement option to some employees and also reduced staff in areas where business needs had changed. The $2.6 million cost of this reorganization, primarily severance and retirement charges, was charged to 1999-2000. The reorganization will result in the elimination of 30 positions, roughly six per cent of the CWB workforce, by December 31, 2000. In total, this initiative is expected to result in annual cost savings of $1.3 million in 2000-01 and $2.1 million in 2001-02.

U.S. trade challenges relate to addressing and defending against trade investigations that have been threatened or launched by American interests. Of the $732,582 costs incurred, $463,062 was related to preparing for trade actions that the North Dakota Wheat Commission had threatened to file. Subsequent to the end of the crop year, the North Dakota Wheat Commission filed a petition under Section 301 of the *U.S. Trade Act of 1974* requesting the United States Trade Representative (USTR) to commence an investigation of the CWB and the Government of Canada. On October 23, 2000 the USTR, a member of the President's Cabinet, announced the initiation of an investigation into certain of the allegations contained in the petition. In particular, the USTR will investigate certain elements of the Canadian wheat trading system and certain allegations of unreasonable trading practices on the part of the CWB. The USTR has one year to determine what, if any, action should be taken. This is the ninth time within the past 10 years that the CWB has been the subject of some form of trade investigation instituted by American interests. In each case, the outcome of the investigation has established that all CWB trade activities meet North American Free Trade Agreement and World Trade Organization standards. The CWB believes that the current trade action is unjustified and will not succeed.



CWB director Butch Harder on the farm.

The remaining trade challenge costs were related to the successful defence of a U.S. Countervailing Duty action filed in November 1998 against imports of live cattle from Canada. On October 12, 1999 the U.S. Department of Commerce issued its final determination dismissing the petitioner's claim that the CWB's operations in the feed barley industry provide a subsidy to Canadian cattle producers.

Election expenses relate to the preliminary costs incurred to conduct the Board of Director elections in even-numbered districts in December 2000.

CREDIT SALES

Credit sales during the year

$ 000, except as noted	1999-2000 Sales	% of Total Sales	1998-1999 Sales	% of Total Sales
Credit sales				
Credit Grain Sales Program	$ 371,671	8.3	$ 95,473	2.4
Agri-food Credit Facility	145,868	3.2	95,378	2.4
Other	185,798	4.1	65,961	1.6
Total credit sales	703,337	15.6	256,812	6.4
Total sales	$ 4,504,817	100.0	$ 4,026,703	100.0

Credit programs

To support the sale of western Canadian grain, the Government of Canada provides repayment guarantees. Acting within credit limits and terms approved by the federal government, the CWB works with individual customers and commercial banks on a case by case basis to structure credit facilities to meet customer needs. These credit arrangements can be an important factor in many foreign markets. During 1999-2000, credit sales totalled $703.3 million, representing 15.6 per cent of total sales, compared to $256.8 million or 6.4 per cent of sales in the previous year.

The CWB uses the following programs to offer credit on commercial terms:

Credit Grain Sales Program

The Credit Grain Sales Program (CGSP) allows the CWB to sell grain on credit to customers that can provide a sovereign guarantee of repayment from their central bank or ministry of finance. The Government of Canada, in consultation with the CWB, establishes country eligibility and individual country credit ceilings for this program on an annual basis. Repayment terms cannot exceed 36 months from time of shipment, and commercial rates of interest are charged. During the year ended July 31, 2000, credit extended under this program totalled $371.7 million, compared to $95.5 million the previous year.

The balance receivable at July 31, 2000

CGSP receivable at July 31, 2000

$ 000	Current	Overdue	Total
Rescheduled			
Due from foreign customers	$ 5,926,417	$ 319	$ 5,926,736
Due from Government of Canada	57,840	-	57,840
	5,984,257	319	5,984,576
Non-Rescheduled	403,064	756,031	1,159,095
Total Credit Grain Sales Program	$ 6,387,321	$ 756,350	$ 7,143,671

from sales made under this program to date is $7.1 billion. Of this amount, $6.0 billion represents receivables for which payments of principal and interest have been rescheduled over periods ranging from five to 25 years under terms agreed to by the Government of Canada at the Paris Club. Included in the rescheduled amount is $57.8 million owed to the CWB by the Government of Canada under debt reduction arrangements where they have assumed certain amounts that otherwise would have been paid by the debtor government. The balance of non-rescheduled receivables at July 31, 2000 was $1.2 billion.

Overdue amounts include $0.3 million that was receivable from Zambia on a rescheduled credit receivable that had not been received on the due date and was still outstanding at July 31, 2000. Zambia paid the overdue amount in August.

Overdue amounts also include $752.2 million due from Iraq and $3.9 million due from Pakistan where payments for credit sales had not been received on the due dates and were still outstanding at July 31, 2000. Iraq is not currently paying obligations because of United Nations sanctions. The CWB expects the overdue amounts from Pakistan to be rescheduled under Paris Club arrangements.

Since the Government of Canada guarantees repayment of the principal and interest of all credit receivables under this program, the CWB makes no allowance for credit losses.

Agri-food Credit Facility

The Agri-food Credit Facility allows the CWB to sell grain, either directly or through accredited exporters, on credit to private importers where the importer cannot provide a sovereign guarantee of repayment. Since these transactions involve private buyers and their banks, country credit ceilings do not apply. Instead, the Government of Canada evaluates each transaction on an individual basis. During the year ended July 31, 2000, credit under this program totalled $145.9 million, compared to $95.4 million for the previous year.

The balance receivable at July 31, 2000 from sales made under this program to date was $63.3 million. The Government of Canada guarantees a declining percentage of the receivables under this program based on the repayment period, with the CWB assuming the residual risk not guaranteed. The portion of credit risk assumed by the CWB under this program at July 31, 2000 of $1.3 million is considered collectable, therefore there was no allowance for credit losses.

Other

From time to time, Canadian commercial banks participate with the CWB in providing credit under the above programs. In these cases, the CWB receives payment for the bank's portion of the credit transaction. The bank then assumes the risk of non-payment by the customer on their portion of the credit extended, without recourse to the CWB. During the year ending July 31, 2000, credit provided by banks under these arrangements totalled $185.8 million, compared to $61 million the previous year.

On other occasions, the CWB may extend credit under a guarantee of repayment provided by a commercial bank. The CWB's exposure in this type of transaction is limited to the risk of non-performance by the bank in the event of default by the customer. This exposure is managed by contracting only with highly rated financial institutions. There were no transactions in this category during the year ended July 31, 2000, compared to $5 million the previous year. There were no amounts due from customers under these guarantee arrangements at July 31, 2000, compared to $0.8 million at July 31, 1999.

Funding & Liquidity

Under the *Canadian Wheat Board Act*, and with the approval of the Minister of Finance, the CWB is empowered to borrow money by any means, including the issuing, reissuing, selling and pledging of bonds, debentures, notes and other evidences of indebtedness. All borrowings of the CWB are unconditionally and irrevocably guaranteed by the Minister of Finance on behalf of Her Majesty in right of Canada.

The CWB has established borrowing programs in various markets around the world. The CWB's primary funding sources are:

- Domestic Commercial Paper Program (the "Wheat Board Note" program);
- U.S. Commercial Paper Program;
- Euro Commercial Paper Program; and
- Euro Medium-Term Note Program.

The CWB borrows money in order to finance grain inventories, credit sales, administrative and operating expenses, as well as to administer the Government of Canada's advance payment programs. The CWB borrows in a variety of currencies but eliminates currency risk by converting borrowings into either Canadian or U.S. dollars to match the assets being financed. The total debt portfolio generally fluctuates between $6 and $7 billion Canadian dollar equivalent.

The CWB continues to explore new borrowing opportunities in an ongoing effort to further reduce borrowing costs, expand and diversify its investor base and maintain access to money.

The CWB has the following credit ratings:

	Domestic		Foreign Currency	
Credit Ratings:	*Long-term*	*Short-term*	*Long-term*	*Short-term*
Moody's Investor Service	Aa1	P1	Aa1	P1
Standard & Poor's Ratings Group	AAA	A1+	AA+	A1+
Dominion Bond Rating Service	AAA	R-1H	AAH	R-1H
Canadian Bond Rating Service	AA+	A-1+	AA+	A-1+

Risk Management

The CWB seeks to minimize risks related to the financial operations of the corporation. These risks include market risk, credit risk and liquidity risk, as described below. The CWB analyzes, manages, reports and controls exposures to these financial risks and ensures adherence to approved corporate policies and risk management guidelines.

Market risk

Market risk is the risk to the CWB's financial condition resulting from adverse movements in the level or volatility of market prices. The CWB is exposed to market risk in the areas of commodity price risk, foreign exchange risk and interest rate risk.

Commodity price risk

Commodity price risk is the risk of reduced revenue for the CWB resulting from adverse changes in commodity prices. Commodity price risk is inherent in the CWB's core business operations. The CWB is exposed to commodity price risk on grain sales made into export and domestic markets and is authorized to use futures and options to assist in the pricing of grain sales. One of the CWB's major commodity risk management programs involves managing the price risk associated with customer basis contracts, which enable the CWB and the customer to manage price risk independently, and provide the customer with the ability to determine the date that the contract will be priced. In 1999-2000, 38 per cent of wheat was sold on basis contracts.

The CWB manages the risk of an adverse movement in the price of grain between the time the grain is sold and when it is priced by the customer by selling grain futures contracts on regulated U.S. futures markets. The CWB may also utilize futures contracts to price grain where there is no opportunity to do so in the physical market.

Foreign exchange risk

Foreign exchange risk is the exposure to adverse changes in foreign exchange rates that would negatively affect the Canadian dollar returns to the CWB. Given the nature of its business, the CWB is exposed to substantial foreign exchange risk. Since the world price for grain is established in U.S. dollars, all sales made by the CWB are priced either directly or indirectly in U.S. dollars.

To manage foreign exchange risk on sales, the CWB hedges foreign currency sales values using derivative contracts to protect the expected Canadian dollar proceeds on sales contracts.

Interest rate risk

Interest rate risk is the exposure to negative fluctuations in the CWB's net interest earnings resulting from adverse changes in market interest rates. The CWB's interest rate risk arises from the mismatch in interest rate term and re-pricing dates on the CWB's interest earning assets and interest paying liabilities. The interest spread between the interest rate set on the assets and the rate set on the liabilities is typically positive, resulting in net interest earnings for the CWB which are allocated to the pool accounts and flow directly to farmers.

The CWB manages its interest rate risk to ensure interest earnings for the CWB's producers are maintained.

Credit risk

Credit risk is the risk of potential loss should a counter-party fail to meet its contractual obligations. The CWB is exposed to credit risk with respect to non-guaranteed accounts receivable, as well as credit risk on

investments and derivative transactions used to manage the CWB's market risks.

Receivables

The CWB sells grain under two government-supported export credit programs: the Credit Grain Sales Program and the Agri-food Credit Facility. Under the Credit Grain Sales Program, the CWB is not exposed to credit risk since grain is sold to sovereign buyers who can provide a sovereign guarantee of repayment and the Government of Canada, in turn, guarantees 100 per cent of the credit receivable. Under the Agri-food Credit Facility, grain is sold to non-sovereign buyers who cannot provide a sovereign repayment guarantee, and the Government of Canada guarantees a declining percentage of the receivable based on the repayment period of the credit. CWB exposure to credit risk under this program is limited to the residual risk not guaranteed. Because of the nature of the CWB's credit sales, the vast majority of the CWB's credit exposure on credit receivables is ultimately to the Government of Canada.

Any other credit exposure is limited to highly rated commercial banks. There have been no defaults to date related to sales made under this type of arrangement, and there are no outstanding balances due.

Investments

The CWB manages counter-party exposure to the risk of loss from an investment by transacting only with highly rated counter-parties. Investments are made according to the credit rating requirements of the *Canadian Wheat Board Act*, the CWB's annual borrowing authority granted by the Minister of Finance and applicable government guidelines.

Derivative transactions

The risk of loss on derivative financial instruments is limited to the replacement cost of contracts having a positive fair value. The CWB manages its risk on over-the-counter derivative transactions by contracting only with highly rated counter-parties that meet or exceed the CWB's financial risk management policies. These policies are in line with the Minister of Finance credit policy guidelines. In addition to strict credit rating requirements, the CWB signs master agreements in advance of any over-the-counter derivative transactions to minimize the credit risk, legal risk and payment risk of these transactions. The CWB manages its credit risk on futures contracts by dealing through exchanges where changes in market position are settled on a daily basis.

Liquidity risk

The CWB's liquidity risk is comprised of funding liquidity risk and market liquidity risk.

Funding liquidity risk

Funding liquidity risk is the risk that the CWB will be unable to meet its debt payment obligations on settlement dates. The CWB is a net borrower and uses investments to minimize its funding liquidity risk associated with its activities in the debt markets. In the course of normal operations, the CWB's funding programs provide sufficient liquidity to meet daily cash requirements. The CWB may hold highly rated short-term investments to ensure that sufficient funds are available to meet debt obligations. Sufficient lines of credit are also maintained with financial institutions to provide additional access to funds.

Market liquidity risk

Market liquidity risk is the risk that the CWB may not be able to, or can not easily unwind or offset a particular market position at or near the current market price because of inadequate market depth or disruptions in the market place. The CWB only uses liquid derivatives to manage its market risk and generally purchases marketable investments to manage funding liquidity risk.

The Year 2000 issue

The Year 2000 issue arose because many existing computer systems recorded and identified years with two digits, rather than four. When the century rollover occurred, date fields contained the two-digit year "00". The risk was that many computers or electronic equipment would fail to recognize the change

to the Year 2000, and could have failed or produced erroneous results, potentially affecting business viability and profitability.

The CWB's efforts with respect to the Year 2000 proved successful. The transition to the Year 2000 was uneventful as a result of the significant preparation that the company undertook including an inventory of all technology, conversion or replacement of key computer systems and infrastructure, readiness testing and development and implementation of contingency plans. In addition, the CWB conducted business partner readiness assessment and monitoring, and worked with grain elevator companies, railways, banks, other significant suppliers and grain customers to ensure that there were no disruptions to western Canadian grain shipments on and after January 1, 2000.

The total cost incurred by the CWB between 1996 and 2000, related to the conversion of systems and infrastructure, was $23.3 million. These costs have been capitalized to minimize the impact on any particular pool account, and are being amortized over a 10-year period.

A day in the treasury department (left to right): Will Reid, Wendi Thiessen, Candace Gauthier, Andrea Carlson, Glenn Bunston

Outlook

Canadian wheat, durum and barley exports are likely to remain at their current levels in coming years given production competition from other crops and limited growing area. There is potential for a longer term overall improvement in returns to producers for a number of reasons.

Demand

Population growth and increasing demand for higher quality grain will help to ensure an outlet for western Canadian wheat, durum and barley in coming years. Countries in Asia, the Middle East, Africa and Latin America, which accounted for about 78 per cent of western Canadian exports in 1999-2000, are expected to experience the largest growth in population. Moreover, gross domestic product growth rates for most of the developing countries in these regions are projected to surpass those for developed countries. As a result, not only will consumption increase because of population growth, but higher incomes will also fuel a demand for higher quality.

Supply

The global price effect of an increase in demand depends upon the production response - increase or decrease in supply as a result of changing acreage or yields. Improving agronomic practices, particularly in developing countries, and the development of new varieties through traditional plant breeding techniques and genetic engineering have the potential to increase global yield prospects in the long run. However, competition for acreage from oilseeds and other crops is expected to ensure support for cereal grain prices in the future.

Large stocks among the major exporting countries and a significant, although highly variable, exportable surplus in minor exporting countries will continue to ensure a competitive trade environment in the medium term. Given expectations of relatively static western Canadian wheat, durum and barley exports, we are not expecting an overall increase in the Canadian share of the total world wheat trade to any great extent. CWB efforts on behalf of producers will continue to focus on increasing market share and revenue in high return markets.

Global trade environment

The World Trade Organization (WTO) is currently entering a new round of trade negotiations. The last round, known as the Uruguay Round, saw the first agreement on agriculture, which was expected to usher in a new era of lower subsidies and greater trade liberalization. While this agreement was successful in reducing import duties, and to some extent export subsidies, massive domestic support in certain countries continues to distort production and trade. This has resulted in western Canadian producers receiving grain prices that are, for many, insufficient to sustain viable operations without significant support from the federal and provincial governments. The next round of talks will play a critical role in addressing domestic support levels, export subsidies, market promotion and market access in an attempt to create a more level playing field for producers around the globe. If successful, the international trade environment in ten years' time should favour western Canadian producers given their high level of efficiency and competitive advantage in grain production.

CWB commitment to innovation

The CWB will continue its commitment to finding innovative ways to improve the procurement and marketing aspects of our

business that enhance producer returns directly and indirectly.

As customers become more price-sensitive, quality-specific and service-oriented, our market development activities will continue to play a pivotal role in working first hand with end users to promote the benefits of using Canadian grain. Working toward the development of new varieties of wheat, durum and malting barley that are tailored to meet both customer and producer requirements, making strategic investments such as the pilot pasta plant at the Canadian International Grains Institute, and working toward the development of non-visual quality control systems are all part of the value added service provided by the CWB that will continue to enhance producer returns.

Innovations in agricultural biotechnology, and in particular the development of new products through genetic modification, are attracting considerable attention and controversy. The CWB recognizes that biotechnology and its products may provide benefits to consumers and to wheat and barley farmers in Western Canada. However, especially given consumer reaction to date, the CWB is leading efforts to ensure a competent and complete evaluation of the issues. While there currently are no genetically modified wheat or barley varieties registered for commercial production in Canada or elsewhere, as part of its strategy, the CWB is helping prepare the marketing system for their possible production. As well, the CWB is thoroughly evaluating the benefits, costs and risks that farmers and the CWB would face in marketing such products to help determine if and when they should be introduced. The CWB's objective is to ensure that, if introduced, the market entry of any genetically modified wheat and barley varieties be accomplished in a manner that will satisfy customers' requirements and improve returns to western Canadian farmers.

The introduction of flexible pricing options in response to producer cash flow and risk management concerns also demonstrates our commitment to innovation. These new products give producers more flexibility in managing their individual farming operations. Ongoing efforts to improve existing pricing and payment options and to develop new ones will benefit western Canadian producers.

Maximizing producer returns also implies minimizing costs. Producers are the direct beneficiaries of a low cost, competitive grain handling and transportation system that improves the CWB's ability to put the right grain quality and quantity in the right place at the right time. Our grain transportation system will continue to change and the CWB will require direct access to the car supply and the establishment of commercial contracts with performance criteria for system participants to ensure an efficient and accountable transportation system. As part of these changes, the CWB has designed tender agreements and a new car awards system to ensure that the consolidating grain handling system in Western Canada remains competitive. Achieving a competitive, least-cost grain handling and transportation system will require ongoing innovation.

Forward-Looking Information

A number of factors could cause actual results to differ materially from those expressed in the forward-looking statements, including: climate; changes in government policy and regulations; and the international economic environment.

Financial Results

Management's Responsibility for Financial Reporting

The financial statements of the Canadian Wheat Board included in this Annual Report are the responsibility of the Corporation's management and have been reviewed and approved by the Board of Directors. Management is also responsible for all other information in the Annual Report and for ensuring that this information is consistent, where appropriate, with the information contained in the financial statements.

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles appropriate in the circumstances and reflect the results for the 1999-2000 pool accounts and the financial status of the Corporation at July 31, 2000.

In discharging its responsibility for the integrity and fairness of the financial statements, management maintains financial and management control systems and practices designed to provide reasonable assurance that transactions are authorized, assets are safeguarded and proper records are maintained. The system of internal control is augmented by an internal audit department that conducts periodic reviews of different aspects of the Corporation's operations.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Board of Directors exercises this responsibility through the Audit and Finance Committee of the Board, which is composed of Directors who are not employees of the Corporation. The Audit and Finance Committee meets with management, the internal auditors and the external auditors on a regular basis, and the external and internal auditors have full and free access to the Audit and Finance Committee.

The Corporation's external auditors, Deloitte & Touche LLP, are responsible for auditing the transactions and financial statements of the Corporation and for issuing their report thereon.

Greg S. Arason
President and Chief Executive Officer
Winnipeg, Manitoba
December 6, 2000

Gordon P. Menzie
Executive Vice-President, Finance and Treasurer

Auditors' Report

To the Board of Directors of the Canadian Wheat Board:

We have audited the financial statements of the Canadian Wheat Board which consist of the balance sheet at July 31, 2000 and the combined statement of operations and statement of distribution to producers for the 1999-2000 pool accounts, the statements of operations and the statements of distribution to producers for the 1999-2000 pool accounts for wheat, amber durum wheat and barley for the period August 1, 1999 to completion of operations on August 31, 2000 and for designated barley for the period August 1, 1999 to completion of operations on September 30, 2000, the statement of cash flow for the year ended July 31, 2000 and the statement of administrative and general expenses for the year ended July 31, 2000. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform our audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Canadian Wheat Board as at July 31, 2000 and the results of its operations and cash flow for the periods shown in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Deloitte & Touche LLP
Chartered Accountants

Winnipeg, Manitoba
December 6, 2000

Balance Sheet

As of July 31 (000's)	2000	1999
Assets		
Accounts Receivable		
Credit programs *(Note 3)*	$ 7,206,991	$ 6,875,649
Non-credit sales	6,545	30,432
Advance payment programs *(Note 4)*	258,393	72,073
Other	64,463	20,961
	7,536,392	6,999,115
Inventory of Grain *(Note 5)*	1,182,227	1,105,747
Deferred and Prepaid Expenses *(Note 6)*	7,958	24,332
Capital Assets *(Note 7)*	68,349	75,665
Total Assets	$ 8,794,926	$ 8,204,859

Liabilities		
Borrowings *(Note 8)*	$7,264,209	$ 6,768,869
Accounts Payable and Accrued Expenses *(Note 9)*	139,248	137,438
Liability to Agents *(Note 10)*	858,511	758,523
Liability to Producers – Outstanding Cheques *(Note 11)*	222,335	171,055
Liability to Producers – Undistributed Earnings *(Note 12)*	301,326	359,020
Provision for Producer Payment Expenses *(Note 13)*	5,960	5,934
Special Account – Net Balance of Undistributed Payment Accounts *(Note 14)*	3,337	4,020
Total Liabilities	$ 8,794,926	$ 8,204,859

On behalf of the Board:

Ken Ritter

Ken Ritter
Chair, Board of Directors

Greg S. Arason
President and Chief Executive Officer

Combined Pool Accounts

Statement of Operations

Pool Account ($000's)	1999-2000	1998-1999
RECEIPTS FROM PRODUCERS (Tonnes)	23 628 850	19 616 132
Revenue *(Note 17)*	$ 4,504,817	$ 4,026,703
Operating Costs		
Direct costs		
Country inventory financing	24,037	24,426
Storage		
- country elevator	43,126	47,562
- terminal	26,839	17,960
Despatch earnings, net of demurrage costs	(5,810)	(6,662)
Additional freight		
- to terminal	12,136	4,149
- to move grain into eastern export position	78,139	58,530
- from freight rate changes	(1,563)	(75)
Drying charges	395	69
CWB hopper cars – interest and depreciation	3,348	3,163
Total direct costs	180,647	149,122
Administrative and general expenses *(Note 18)*	63,771	55,204
Grain industry organizations *(Note 19)*	1,701	1,699
Net interest earnings	(64,895)	(72,519)
Total Operating Costs	181,224	133,506
Earnings for Distribution to Producers	$ 4,323,593	$ 3,893,197

Statement of Distribution to Producers

Pool Account ($000's)	1999-2000	1998-1999
Earnings Distributed to Producers		
Initial payments on delivery	$3,519,524	$ 3,162,228
Adjustment payments	490,402	360,688
Interim payment	148,756	172,410
Final payment	152,470	186,506
Producer contract storage payments	12,342	11,261
Rebate on producer cars	99	104
Total Earnings Distributed to Producers	$ 4,323,593	$ 3,893,197

Wheat Pool Account

Statement of Operations

($000's, except rates per tonne)	1999-2000 Amount	1999-2000 Rate per Tonne	1998-1999 Amount	1998-1999 Rate per Tonne
RECEIPTS FROM PRODUCERS (Tonnes)	16 426 836		12 512 726	
Revenue *(Note 17)*	$ 3,039,640	$ 185.04	$ 2,574,023	$ 205.71
Operating Costs				
Direct costs				
Country inventory financing	16,467	1.00	18,036	1.44
Storage				
- country elevator	29,195	1.78	34,620	2.77
- terminal	17,256	1.05	10,769	0.86
Despatch earnings, net of demurrage costs	(4,561)	(0.28)	(5,414)	(0.43)
Additional freight				
- to terminal	10,461	0.64	2,301	0.18
- to move grain into eastern export position	20,236	1.23	2,660	0.21
- from freight rate changes	(774)	(0.04)	(187)	(0.02)
Drying charges	319	0.02	36	0.01
CWB hopper cars – interest and depreciation	2,328	0.14	2,017	0.16
Total direct costs	90,927	5.54	64,838	5.18
Administrative and general expenses *(Note 18)*	44,328	2.70	35,214	2.81
Grain industry organizations *(Note 19)*	1,183	0.07	1,084	0.09
Net interest earnings	(47,713)	(2.91)	(51,991)	(4.15)
Total Operating Costs	88,725	5.40	49,145	3.93
Earnings for Distribution to Producers	$ 2,950,915	$ 179.64	$ 2,524,878	$ 201.78

Statement of Distribution to Producers

($000's, except rates per tonne)	1999-2000 Amount	1999-2000 Rate per Tonne	1998-1999 Amount	1998-1999 Rate per Tonne
Earnings Distributed to Producers				
Initial payments on delivery	$ 2,452,411	$ 149.29	$ 2,070,448	$ 165.47
Adjustment payments	339,965	20.70	242,257	19.36
Interim payment	65,453	3.98	112,598	8.99
Final payment	93,007	5.66	99,496	7.95
Rebate on producer cars	79	0.01	79	0.01
Total Earnings Distributed to Producers	$ 2,950,915	$ 179.64	$ 2,524,878	$ 201.78

For the period August 1, 1999 to completion of operations on August 31, 2000
(with prior year comparatives for the period ended August 31, 1999)

Durum Pool Account

Statement of Operations

($000's, except rates per tonne)	1999-2000 Amount	1999-2000 Rate per tonne	1998-1999 Amount	1998-1999 Rate per tonne
RECEIPTS FROM PRODUCERS (Tonnes)	3 975 734		4 904 639	
Revenue *(Note 17)*	$ 892,476	$ 224.48	$ 1,082,241	$ 220.65
Operating Costs				
Direct costs				
Country inventory financing	5,571	1.40	5,636	1.15
Storage				
- country elevator	8,768	2.21	11,144	2.27
- terminal	8,761	2.20	6,664	1.36
Despatch earnings, net of demurrage costs	(1,212)	(0.30)	(1,178)	(0.24)
Additional freight				
- to terminal	1,420	0.36	1,846	0.38
- to move grain into eastern export position	57,904	14.56	55,624	11.34
- from freight rate changes	(510)	(0.13)	76	0.01
Drying charges	48	0.01	23	0.01
CWB hopper cars – interest and depreciation	563	0.14	791	0.16
Total direct costs	81,313	20.45	80,626	16.44
Administrative and general expenses *(Note 18)*	10,734	2.70	13,802	2.81
Grain industry organizations *(Note 19)*	286	0.07	425	0.09
Net interest earnings	(7,571)	(1.90)	(10,030)	(2.05)
Total Operating Costs	84,762	21.32	84,823	17.29
Earnings for Distribution to Producers	$ 807,714	$ 203.16	$ 997,418	$ 203.36

Statement of Distribution to Producers

($000's, except rates per tonne)	1999-2000 Amount	1999-2000 Rate per Tonne	1998-1999 Amount	1998-1999 Rate per Tonne
Earnings Distributed to Producers				
Initial payments on delivery	$ 619,492	$ 155.82	$ 796,906	$ 162.48
Adjustment payments	80,732	20.31	92,534	18.87
Interim payment	61,933	15.58	44,420	9.06
Final payment	45,542	11.45	63,535	12.95
Rebate on producer cars	15	0.00	23	0.00
Total Earnings Distributed to Producers	$ 807,714	$ 203.16	$ 997,418	$ 203.36

For the period August 1, 1999 to completion of operations on August 31, 2000
(with prior year comparatives for the period ended August 31, 1999)

Barley Pool Account

Statement of Operations

($000's, except rates per tonne)	1999-2000 Amount	1999-2000 Rate per Tonne	1998-1999 Amount	1998-1999 Rate per Tonne
RECEIPTS FROM PRODUCERS (Tonnes)	671 703		277 100	
Revenue *(Note 17)*	$ 90,262	$ 134.38	$ 38,348	$ 138.39
Operating Costs				
Direct costs				
Country inventory financing	439	0.65	242	0.87
Storage				
- country elevator	1,639	2.45	1,360	4.91
- terminal	781	1.16	409	1.48
Despatch earnings, net of demurrage costs	(9)	(0.01)	(6)	(0.02)
Additional freight				
- to terminal	255	0.38	1	0.00
- to move grain into eastern export position	-	-	246	0.89
- from freight rate changes	(127)	(0.19)	(12)	(0.04)
Drying charges	28	0.04	-	-
CWB hopper cars – interest and depreciation	95	0.14	45	0.16
Total direct costs	3,101	4.62	2,285	8.25
Administrative and general expenses *(Note 18)*	1,816	2.70	781	2.81
Grain industry organizations *(Note 19)*	48	0.07	24	0.09
Net interest earnings	(5,306)	(7.90)	(6,192)	(22.34)
Total Operating Costs	(341)	(0.51)	(3,102)	(11.19)
Earnings for Distribution to Producers	$ 90,603	$ 134.89	$ 41,450	$ 149.58

Statement of Distribution to Producers

($000's, except rates per tonne)	1999-2000 Amount	1999-2000 Rate per Tonne	1998-1999 Amount	1998-1999 Rate per Tonne
Earnings Distributed to Producers				
Initial payments on delivery	$ 69,773	$ 103.88	$ 32,897	$ 118.72
Adjustment payments	12,496	18.60	3,701	13.35
Interim payment	4,702	7.00	1,940	7.00
Final payment	3,627	5.40	2,910	10.50
Rebate on producer cars	5	0.01	2	0.01
Total Earnings Distributed to Producers	$ 90,603	$ 134.89	$ 41,450	$ 149.58

For the period August 1, 1999 to completion of operations on August 31, 2000
(with prior year comparatives for the period ended August 31, 1999)

Designated Barley Pool Account

Statement of Operations

($000's, except rates per tonne)	1999-2000 Amount	1999-2000 Rate per tonne	1998-1999 Amount	1998-1999 Rate per tonne
RECEIPTS FROM PRODUCERS (Tonnes)	2 554 577		1 921 667	
Revenue *(Note 17)*	$ 482,439	$ 188.85	$ 332,091	$ 172.81
Operating Costs				
Direct costs				
Country inventory financing	1,560	0.61	511	0.26
Storage				
- country elevator	3,525	1.38	439	0.23
- terminal	40	0.02	118	0.06
Despatch earnings, net of demurrage costs	(29)	(0.01)	(64)	(0.03)
Additional freight				
- to terminal	-	-	1	0.00
- from freight rate changes	(152)	(0.06)	48	0.02
Drying charges	-	-	10	0.01
CWB hopper cars – interest and depreciation	362	0.14	310	0.16
Total direct costs	5,306	2.08	1,373	0.71
Administrative and general expenses *(Note 18)*	6,893	2.70	5,407	2.81
Grain industry organizations *(Note 19)*	184	0.07	166	0.09
Net interest earnings	(4,306)	(1.69)	(4,306)	(2.24)
Total Operating Costs	8,077	3.16	2,640	1.37
Earnings for Distribution to Producers	$ 474,362	$ 185.69	$ 329,451	$ 171.44

Statement of Distribution to Producers

($000's, except rates per tonne)	1999-2000 Amount	1999-2000 Rate per Tonne	1998-1999 Amount	1998-1999 Rate per Tonne
Earnings Distributed to Producers				
Initial payments on delivery	$ 377,849	$ 147.91	$ 261,977	$ 136.33
Adjustment payments	57,209	22.39	22,196	11.55
Interim payment	16,669	6.53	13,452	7.00
Final payment	10,293	4.03	20,565	10.70
Producer contract storage payments	12,342	4.83	11,261	5.86
Total Earnings Distributed to Producers	$ 474,362	$ 185.69	$ 329,451	$ 171.44

For the period August 1, 1999 to completion of operations on September 30, 2000
(with prior year comparatives for the period ended September 30, 1999)

Statement of Cash Flow

For the year ended July 31 (000's)	2000	1999
Increases (Decreases) of Cash during the Year		
Cash Flow from Operating Activities		
Cash received from sale of grain	$ 4,504,817	$ 4,026,703
Net cash paid for operating costs	(181,224)	(133,506)
Add items not requiring an outlay of cash		
Depreciation on CWB hopper cars	2,870	2,884
Depreciation on other capital assets	8,875	6,836
Cash flow from operating activities before changes in working capital	4,335,338	3,902,917
Changes in non-cash working capital		
Accounts receivable, excluding credit sales	(205,935)	(719)
Inventory of grain	(76,480)	(155,276)
Deferred and prepaid expenses	16,374	(8,142)
Accounts payable and accrued expenses	1,811	16,091
Liability to agents	99,988	28,282
Liability to producers for outstanding cheques	51,280	(13,889)
Provision for producer payment expenses	26	(1,709)
Special account	(683)	1,228
	4,221,719	3,768,783
Cash Flow from Financing Activities		
Increase in borrowings	495,340	53,290
	495,340	53,290
Cash Flow from Investing and Other Activities		
(Increase) decrease in accounts receivable – credit programs	(331,342)	147,291
Purchase of capital assets	(4,950)	(19,400)
Proceeds from sale of capital assets	521	292
	(335,771)	128,183
Cash Distributed to Producers		
Distribution of cash balances that were undistributed at beginning of year	(359,020)	(416,080)
Distribution of cash balances prior to July 31 related to the current year	(4,022,268)	(3,534,176)
	(4,381,288)	(3,950,256)
Net Increase in Cash and Cash Equivalents	-	-
Net Cash Position at Beginning of Year	-	-
Net Cash Position at End of Year	$ -	$ -

Statement of Administrative and General Expenses

For the year ended July 31 (000's)	2000	1999
CWB Costs		
Advisory Committee	$ -	$ 55
Board of Directors	1,178	825
Computer contractors	4,120	4,177
Computer maintenance and services	4,376	3,697
Communications	719	655
CWB publications	771	640
Farmer permits, contracts and payments	601	453
Facilities	1,669	1,614
Office services	2,575	2,666
Human resources	30,580	27,953
Training and development	457	703
Recruiting	321	123
Other	642	624
Professional fees and outside services	1,547	2,157
Taxes	400	415
Travel	1,496	1,307
Total excluding depreciation	51,452	48,064
Depreciation	8,875	6,836
	60,327	54,900
Other Costs		
Corporate reorganization	2,583	-
U.S. trade challenges	733	447
Director elections	70	1,242
	3,386	1,689
Total Administrative and General Expenses	$ 63,713	$ 56,589

Notes to the Financial Statements

1. Act of Incorporation and Mandate

The Canadian Wheat Board (the Corporation) was established by the *Canadian Wheat Board Act*, a statute of the Parliament of Canada. On June 11, 1998, Bill C-4, *An Act to Amend the Canadian Wheat Board Act* continued the CWB as a shared governance corporation, without share capital, effective December 31, 1998.

The Corporation was created for the purpose of marketing, in an orderly manner, in inter-provincial and export trade, grain grown in Western Canada. The Corporation is headed by a Board of Directors, comprised of ten producer-elected and five government-appointed members. The Corporation is accountable for its affairs to both western Canadian farmers through its elected Board members and to Parliament through the Minister responsible for the Canadian Wheat Board.

The Corporation is exempt from income taxes pursuant to Section 149(1)(d) of the *Income Tax Act*.

2. Significant Accounting Policies

Results of Operations

The financial statements at July 31 include the final operating results for all pool accounts for the crop year ended July 31, where marketing operations have been completed before the issuance of the annual report for that year. In determining the financial results for such pools, the accounts of the Corporation at July 31 include:

Revenue – Revenue from grain sales recognized in the accounts at the time that shipment is made, at the equivalent value of the proceeds receivable at Vancouver, Churchill or St. Lawrence position.

Inventory – Inventory of grain on hand at July 31 at the values that were ultimately expected to be received as sale proceeds.

Expenses incurred subsequent to July 31 – Provision for all expenses incurred or to be incurred in the process of marketing these inventories of grain including a charge for the portion of administrative and general expenses incurred subsequent to July 31 but relating to this marketing activity. Expenses related to marketing activities carried out subsequent to July 31 are included in accounts payable and accrued expenses. The expenses included are carrying charges, storage, interest, transportation charges, and administrative costs, together with all other sundry expenses incurred during the period.

Liability to Producers – Balances not yet distributed to producers at July 31 where marketing operations have been completed for the current pool accounts are included in Liability to Producers.

Allowances for Losses on Accounts Receivable

Accounts receivable from credit programs – The Government of Canada guarantees the repayment of the principal and interest of all receivables resulting from sales made under the Credit Grain Sales Program, and a declining percentage, based on the repayment term of the credit, of all receivables resulting from sales made under the Agri-food Credit Facility. The Corporation assumes the risk not covered by the Government of Canada. For receivables resulting from credit sales made outside of the Credit Grain Sales Program and the Agri-food Credit Facility, the Corporation may enter into arrangements with commercial banks who will assume the credit risk without recourse.

Accounts receivable from non-credit sales – Shipments are made pursuant to the receipt of appropriate letters of credit issued by commercial banks that guarantee the receipt of funds by the Corporation.

Accounts receivable from advance payment programs – The Government of Canada guarantees the repayment of the principal amount due from producers resulting from cash advances made under the *Agricultural Marketing Programs Act*, the *Prairie Grain Advance Payments Act*, and the Spring Credit Advance Program.

As a result of these guarantees and arrangements, no provision is made with respect to the possibility of debtors defaulting on their obligations.

Capital Assets and Depreciation

Capital assets are recorded at cost and depreciated on a straight line method over their expected useful life as follows:

Asset Class	Term (years)
Computer equipment	1 to 5
Computer systems development	2 to 10
Automobiles	3
Building and office improvements	3
Office furniture and equipment	10
Hopper cars	30
Building	40
Leasehold improvements	Term of lease

Translation of Foreign Currencies

All monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at exchange rates prevailing on the balance sheet date. The Corporation hedges its United States dollar assets and liabilities on a portfolio basis. Exchange adjustments arising from the translation of foreign currency denominated assets or liabilities are recognized in the period in which they occur, as a component of revenue. Borrowings in currencies other than the Canadian or United States dollar are hedged by currency exchange agreements and are converted into Canadian or United States dollars at the rates provided therein.

Sales contracts denominated in foreign currencies are hedged by foreign exchange forward and option contracts. Forward exchange contracts are translated into Canadian dollars at the rates provided therein, purchased option contracts at the higher of the option strike price or the

market price net of premium, and written option contracts at the option strike price when exercised by the purchaser. These amounts are recorded in revenue as an adjustment to the underlying sales transactions.

Other income and expenses are translated at the daily exchange rates in effect during the year.

Derivative Financial Instruments

The Corporation uses various types of derivative financial instruments such as currency and interest rate swaps, foreign exchange forward and option contracts and commodity future and option contracts in order to manage its exposure to currency, interest rate and commodity price risks. These instruments are designated as hedges and are only used for risk management purposes.

Interest rate contracts – Amounts to be paid or received under swap and forward contracts are recognized in the period in which they occur, as a component of net interest earnings.

Currency exchange contracts – Amounts to be paid or received under currency exchange contracts are recognized in the same pool account in which the related foreign currency transaction occurs, as a component of sales revenue.

Commodity contracts – Amounts to be paid or received under wheat future and option contracts are recognized in the same pool account as the related sale that is being hedged, as a component of sales revenue.

Net Interest Earnings

Net interest earnings includes interest revenue and expenses related to accounts receivable and borrowings, bank charges, transaction and program fees on borrowing facilities and interest earned on each pool account during the pool period and until final distribution of earnings to producers. Interest revenue and expenses are netted which is consistent with the requirement under the *Canadian Wheat Board Act* that such amounts be treated as charges or recoveries of operating costs.

Administrative and General Expenses

Administrative and general expenses, except for that portion of such expenses attributable to distributing final payments to producers, are allocated to the various pool accounts to which the services relate on the basis of the relative tonnage. Expenses attributable to final payments are allocated on the basis of the number of producers receiving payments from the various pool accounts. A portion of the administrative and general expenses incurred in the current crop year are allocated to the previous year's pool accounts to reflect the cost of marketing activities for those pool accounts during the year. A portion of the administrative and general expenses incurred in the current crop year are also allocated to the provision for payment expenses to reflect the cost of administering the payment accounts during the year.

Pension Plan

Employees participate in the *Public Service Superannuation Act* pension plan administered by the Government of Canada. The Corporation matches employees' contributions for current or prior service. These contributions are expensed during the year in which the services are rendered and represent the total pension obligations of the Corporation. The Corporation is not required under present legislation to make contributions with respect to any actuarial deficiencies of the plan.

Post-employment Benefits

Employees of the Corporation are entitled to specified benefits provided upon retirement or termination.

The liability for long service allowance and unused sick leave accumulated prior to 1988 is recorded in the accounts as the benefits accrue to employees. The unrecognized balance as at July 31, 1993 of $7,980,330 is being amortized on a straight-line basis over ten years commencing with the 1993-94 crop year. The unrecognized balance at July 31, 2000 is $2,394,099 (1999 - $3,192,132).

The costs of health care and life insurance benefits for retirees are expensed as paid.

Accounts Receivable from Credit Sales Programs

(000's)	Credit Grain Sales Program	Agri-food Credit Facility	Other Credit	2000 Total	1999 Total
Due from Foreign Customers					
Current	$403,064	$63,320	$ -	$466,384	$192,341
Overdue	756,350	-	-	756,350	714,228
Subject to Paris Club rescheduling	233,511	-	-	233,511	116,539
Rescheduled	5,692,906	-	-	5,692,906	5,795,377
	7,085,831	63,320	-	7,149,151	6,818,485
Due from Government of Canada	57,840	-	-	57,840	57,164
	$7,143,671	$63,320	$ -	$7,206,991	$6,875,649
Credit Risk					
Guaranteed by Government of Canada	$7,143,671	$61,993	$ -	$7,205,664	$6,872,896
Guaranteed by commercial banks	-	-	-	-	850
Assumed by CWB	-	1,327	-	1,327	1,903
	$7,143,671	$63,320	$ -	$7,206,991	$6,875,649

The Corporation's maximum exposure to credit risk related to these accounts receivable is limited to $1,326,696 (1999 – $1,902,971). The credit risk for all other balances is assumed by either the Government of Canada guarantee of principal and interest balances resulting from sales made under the Credit Grain Sales Program and the Agri-food Credit Facility, or by commercial banks who have assumed part of the credit risk without recourse to the Corporation.

Accounts receivable balances are classified under the following applicable credit programs:

Credit Grain Sales Program

Accounts receivable under this program arise from sales to Algeria, Brazil, Egypt, Ethiopia, Haiti, Iran, Iraq, Jamaica, Pakistan, Peru, Poland, Russia and Zambia. Of the $7,085,830,625 principal and accrued interest due from foreign customers at July 31, 2000, $5,317,386,143 represents the Canadian equivalent of $3,575,915,362 repayable in United States funds. Of the $6,738,388,380 principal and accrued interest due from customers at July 31, 1999, $4,924,152,682 represents the Canadian equivalent of $3,269,038,493 repayable in United States funds.

Overdue accounts receivable at July 31, 2000 represent amounts due from Iraq, Pakistan and Zambia where payments for past credit sales had not been received on due dates and were still outstanding at year end.

Through a forum known as the Paris Club, the Government of Canada and other creditors have periodically agreed to extend repayment terms beyond the original maturity dates or to reduce the principal owed by a debtor country for a variety of reasons, including humanitarian concerns. All members of the Paris Club are obligated to grant the debtor country the same treatment. Under terms agreed to by the Government of Canada at the Paris Club, the Corporation has entered into agreements to reschedule certain receivables beyond their original maturity dates for Algeria, Brazil, Egypt, Ethiopia, Haiti, Jamaica, Pakistan, Peru, Poland, Russia and Zambia. The terms for these reschedulings vary, calling for payment of interest and rescheduled principal for periods ranging from five to 25 years.

Also under terms agreed to by the Government of Canada at the Paris Club, the Corporation will be entering into an agreement with Russia to reschedule certain receivables totalling $233,510,517 at July 31, 2000 beyond their original maturity dates under previous rescheduling agreements. This amount is classified as subject to Paris Club rescheduling until the agreement is signed.

In addition to debt relief by means of extending repayment terms, the Government of Canada has, in certain cases, agreed to reduce the debt owed to the Corporation by Poland and Zambia. Under these debt reduction arrangements, amounts that otherwise would have been paid by the debtor government are paid to the Corporation by the Government of Canada. A total of $57,840,134 was due from the Government of Canada as at July 31, 2000 under these debt reduction agreements. Of this amount, $30,343,053 represents the Canadian equivalent of $20,405,550 that will be repayable in United States funds.

There is no allowance for credit losses, as the Government of Canada guarantees repayment of the principal and interest of all credit receivables under this program.

Agri-food Credit Facility

Accounts receivable under this facility arise from sales to customers in Brazil, China, Indonesia, Mexico, South Korea and Peru. The July 31, 2000 balance of $63,320,529 principal and accrued interest due under the Agri-food Credit Facility represents the Canadian equivalent of $42,582,736 repayable in United States funds. The July 31, 1999 balance of $79,246,559 principal and accrued interest represents the Canadian equivalent of $52,610,077 repayable in United States funds.

The maximum exposure to credit risk under this facility at July 31, 2000 is $1,326,696 (1999 - $1,902,971), representing the risk not covered by the Government of Canada. Management considers this balance collectable in its entirety therefore there is no allowance for credit losses.

Fair Value

All accounts receivable resulting from sales made under credit programs as at July 31, 2000 have contractual interest rate repricing dates under 365 days. As a result of the short terms to repricing dates of these financial instruments, fair value approximates the carrying values.

Maturities

These accounts receivable mature as follows:

(000's)	2000	1999
Amounts due:		
within 1 year	$749,573	$502,112
from 1 - 2 years	224,113	147,653
from 2 - 3 years	331,051	216,063
from 3 - 4 years	429,436	320,803
from 4 - 5 years	513,415	417,565
over 5 years	4,203,053	4,557,225
overdue	756,350	714,228
	$7,206,991	$6,875,649

4. Accounts Receivable from Advance Payment Programs

(000's)	Agricultural Marketing Programs Act	Prairie Grain Advance Payments Act	Spring Credit Advance Program	2000 Total	1999 Total
Due from Producers					
Principal balances outstanding	$66,200	$ -	$190,834	$257,034	$72,641
	66,200	-	190,834	257,034	72,641
Due from (to) Government of Canada					
Recovery of interest costs on producers' interest free portion of advances	1,338	(5)	1,750	3,083	1,464
Amounts collected from producers and grain companies subsequent to reimbursement by Government of Canada	(304)	(62)	-	(366)	(832)
Interest on defaulted accounts collected from producers on behalf of Government of Canada	(1,327)	(31)	-	(1,358)	(1,200)
	(293)	(98)	1,750	1,359	(568)
	$65,907	$(98)	$192,584	$258,393	$72,073

The Corporation administers the cash advance programs for wheat, durum and barley farmers in Western Canada on behalf of the Government of Canada. The Government guarantees the repayment of advances made to farmers therefore the corporation is not exposed to credit risk. The Corporation recovers its costs of administering the programs from the Government.

The Government of Canada introduced the *Agricultural Marketing Programs Act* in 1997 to provide farmers with cash flow by advancing money for grain stored on the farm. This program replaced a previous Government of Canada program under the *Prairie Grain Advance Payments Act.* The Government of Canada pays interest on advances up to $50,000, and the producer pays interest on any amounts in excess of $50,000.

The Government of Canada introduced the Spring Credit Advance Program in the spring of 2000 to assist farmers with spring seeding costs. The program enables producers to receive up to $20,000 with interest paid by the Government of Canada. Any balances outstanding under the program will reduce the interest-free and maximum entitlements available to the producer in the fall of 2000 under the *Agricultural Marketing Programs Act.*

Cash advances issued during the year by the Corporation under these programs totalled $706,881,345, including $514,999,700 issued under the *Agricultural Marketing Programs Act* and $191,881,645 issued under the Spring Credit Advance Program.

Cash advances issued by the Corporation under Government of Canada cash advance programs totals $13,029,760,920, including $11,316,812,153 issued under the *Prairie Grain Advance Payments Act* since its inception in 1957, $1,521,067,122 issued under the *Agricultural Marketing Programs Act* since its inception in 1997, and $191,881,645 issued under the Spring Credit Advance Program since its inception in 2000.

5. Inventory of Grain

Inventory of grain at July 31 is reported at the values that were ultimately expected to be received as sale proceeds as follows:

(000s)	2000	1999
Wheat	$ 691,068	$ 702,649
Durum	369,403	350,848
Barley	31,206	18,838
Designated Barley	90,550	33,412
	$1,182,227	$ 1,105,747

[illegible]

(000's)	2000	1999
Prepaid cost of moving inventory to eastern export position	$12,320	$16,515
Purchase and lease-renewal options on leased hopper cars	5,137	5,137
Deposits on commodity margin accounts	3,692	3,271
Other	2,946	2,629
Net results of commodity hedging activities applicable to subsequent pool accounts	(16,137)	(3,220)
	$7,958	$24,332

Capital Assets

(000's)	Cost	Accum. Deprec.	Net Book Value
July 31, 2000			
Computer systems development	$45,025	$9,390	$35,635
Hopper cars	85,258	58,260	26,998
Computer equipment	12,816	10,017	2,799
Furniture & equipment	4,737	2,972	1,765
Land, building and improvements	7,563	6,752	811
Automobiles	509	168	341
Leasehold improvements	139	139	-
	$156,047	$87,698	$68,349

(000's)	Cost	Accum. Deprec.	Net Book Value
July 31, 1999			
Computer systems development	$43,077	$5,255	$37,822
Hopper cars	86,345	56,124	30,221
Computer equipment	12,525	8,289	4,236
Furniture & equipment	4,720	2,673	2,047
Land, building and improvements	7,288	6,286	1,002
Automobiles	621	306	315
Leasehold improvements	139	117	22
	$154,715	$79,050	$75,665

Two thousand hopper cars were purchased by the Corporation in 1979-80 having an original cost of $90,555,623. Of these 2,000 cars, 117 cars have been wrecked and dismantled, leaving 1,883 still in the fleet. The Corporation is reimbursed for destroyed cars under an operating agreement with the Canadian National Railway.

Borrowings

(000's)	*Effective Interest Rate* (%)	2000	1999
Commercial paper borrowings			
Canadian Commercial Paper Program		$1,580,332	$2,297,476
United States Commercial Paper Program		2,589,723	1,860,756
Euro Commercial Paper Program		2,314,832	1,972,674
	5.10 - 7.27	6,484,887	6,130,906
Euro Medium Term Notes Program	5.84 - 6.67	576,291	1,223,784
Bank lines and other	5.15 - 6.75	171,013	244,075
Accrued interest	-	93,836	81,914
Total borrowings	5.10 - 7.27	7,326,027	7,680,679
Less investments	5.75 - 6.66	(61,818)	(911,810)
Net borrowings	5.10 - 7.27	$7,264,209	$6,768,869

The Corporation's borrowings are undertaken with the approval of the Minister of Finance. The borrowings are unconditionally and irrevocably guaranteed by the Minister of Finance on behalf of Her Majesty in right of Canada through an explicit guarantee included in the *Canadian Wheat Board Act*.

Borrowings denominated in currencies other than the Canadian or United States dollar have been fully swapped into Canadian or United States dollars.

Of the net borrowings at July 31, 2000, $5,503,964,457 represents the Canadian equivalent of $3,701,388,337 that will be repayable in United States funds. Of the net borrowings at July 31, 1999, $5,055,432,986 represents the Canadian equivalent of $3,356,192,648 repayable in United States funds.

These borrowings mature as follows:

(000's)	2000	1999
Amounts due:		
within 1 year	$7,121,486	$7,179,919
from 1 - 2 years	-	376,575
from 2 - 3 years	-	-
from 3 - 4 years	-	-
from 4 - 5 years	-	-
over 5 years	204,541	124,185
	$7,326,027	$7,680,679

All borrowings have contractual interest rate repricing dates under 365 days. As a result of the short term to maturity of these financial instruments, fair value approximates the carrying values.

9. Accounts Payable and Accrued Expenses

(000's)	2000	1999
Accounts payable and accrued liabilities	$39,073	$45,971
Expenses incurred subsequent to July 31 for marketing activities on behalf of the current year pool accounts	70,465	56,465
Deferred sales revenue	29,710	35,002
	$139,248	$137,438

10. Liability to Agents

(000's)	2000	1999
For grain purchased from producers	$789,428	$674,620
For deferred cash tickets	69,083	83,903
	$858,511	$758,523

Grain Purchased from Producers

Grain companies, acting in the capacity of agents of the Corporation, accept deliveries from producers at country elevators and pay the producers on behalf of the Corporation based on the initial payment rates that are in effect at the time. The Corporation does not make settlement for these purchases until the grain is delivered to the Corporation by the agents at terminal or mill position. The liability to agents for grain purchased from producers represents the amount payable by the Corporation to its agents for 4 687 138 (1999 – 3 776 084) tonnes of grain on hand at country elevator points and in transit at July 31 for which delivery to and settlement by the Corporation is to be completed subsequent to the year end date.

Deferred Cash Tickets

Grain companies, acting in the capacity of agents of the Corporation, deposit in trust with the Corporation an amount equal to the value of deferred cash tickets issued to producers for CWB grain. The Corporation returns these funds to the grain companies to cover producer-deferred cash tickets maturing predominantly during the first few days of the following calendar year.

11. Liability to Producers – Outstanding Cheques

(000's)	2000	1999
Outstanding Producer		
Cheques at July 31		
Wheat	$160,173	$91,542
Durum	37,122	59,042
Barley	8,202	4,437
Designated Barley	16,838	16,034
	$222,335	$171,055

Of the amount outstanding at July 31, 2000, the balance of $217,039,913 is from the 1999-2000 adjustment payment with an effective date of July 28, 2000.

Of the amount outstanding at July 31, 1999, the balance of $165,004,956 is from the 1998-99 adjustment payment with an effective date of July 20, 1999.

12. Liability to Producers – Undistributed Earnings

(000's)	2000	1999
Earnings distributed as interim payments		
Wheat	$65,453	$112,598
Durum	61,933	44,420
Barley	4,702	1,940
Designated Barley	16,669	13,452
	148,757	172,410
Earnings distributed as final payments and producer car rebates		
Wheat	93,086	99,575
Durum	45,557	63,558
Barley	3,632	2,912
Designated Barley	10,294	20,565
	152,569	186,610
	$301,326	$359,020

Of the undistributed earnings to producers totalling $301,325,339 at July 31, 2000, $148,756,397, representing 49% of the outstanding balance, was distributed to producers in an interim payment on October 24, 2000. The balance of $152,568,942 will be distributed to producers through final payments and producer car rebates on January 2, 2001.

13. Provision for Producer Payment Expenses

The amount of $5,960,386 (1999 – $5,934,196) represents the balance of the reserve for producer payment expenses of pool accounts that have been closed. Six years after particular accounts have been closed, the remaining reserves for these pools may be transferred to the Special Account upon authorization of the Governor in Council.

14. Special Account – Net Balance of Undistributed Payment Accounts

In accordance with the provision of Section 39 of the *Canadian Wheat Board Act*, the Governor in Council may authorize the Corporation to transfer to a Special Account the unclaimed balances remaining in payment accounts which have been payable to producers for a period of six years or more. In addition to providing for payment of proper claims from producers against these old payment accounts, the section further provides that these funds shall be used for purposes as the Governor in Council, upon the recommendation of the Corporation, may deem to be for the benefit of producers.

During the year ended July 31, 2000, the balance from payment accounts for 1992 Wheat and 1992 Durum were transferred to the Special Account under Order-in-Council P.C. 2000-691.

The activity in the Special Account is comprised of:

(000's)	2000	1999
Beginning of year	$4,020	$2,792
Transfer from payment accounts	902	2,674
Expenditures	(1,573)	(1,441)
Payments to producers against old payment accounts	(12)	(5)
End of year	$3,337	$4,020
Ending balance comprised of:		
Unexpended authorizations	$1,731	$165
Unallocated	1,606	3,855
	$3,337	$4,020

14. Special Account – Net Balance of Undistributed Payment Accounts *(continued)*

The program expenditures during the 1999-2000 crop year are detailed as follows:

(000's)	*Unexpended at beginning of year*	*Authorized*	*Expended*	*Expired*	*Unexpended at end of year*
Market development program	$74	$175	$16	$ -	$265
Scholarship program	32	368	(376)	-	24
Canadian International Grains Institute					
Capital expenditures	59	250	(197)	-	112
Pilot pasta plant	-	846	(846)	-	-
Canadian Malting Barley Technical Center	-	1,500	(170)	-	1,330
	$165	$3,139	$(1,573)	$ -	$1,731

15. Lease Commitments

The Corporation leases 2,000 covered hopper cars for the Government of Canada. All lease costs to the end of the original lease periods are recoverable from the government and are not a charge to the pool accounts. Total payments associated with these leases in the year ended July 31, 2000, amounting to $20,953,717 (1999 – $20,598,030) have been recovered by the Corporation. Lease terms are for 20 and 25 years, expiring in 2000 and 2006.

In 1995, the Corporation purchased an option to extend the lease term for 250 of the cars beyond the expiry date of October 2000. The option covers two successive five-year periods, with the first renewal at a bargain lease rate, and the second at fair market value. The lease payments under these lease extension options are not recoverable from the Government of Canada and will be paid directly by the pool accounts. The lease payments for the initial five-year term are disclosed in the following table.

Between 1991 and 1995, the Corporation also purchased options to acquire 1,550 of these cars at the end of the lease term in 2006, at a cost of $17,897,875 in United States dollars. The cost of these options is recorded in deferred and prepaid expenses.

The Corporation has entered into operating leases for premises and office equipment. Lease terms are for periods ranging from one to five years, expiring between September 2000 and December 2004. The Corporation has the option to renew most of these leases for additional terms ranging from one to three years. Total lease payments for premises and office equipment expensed in the year ended July 31, 2000 were $1,061,891 (1999 – $901,462).

Lease costs on hopper cars are recovered from the Government of Canada. Lease costs on premises and office equipment are charged to Administrative and General Expenses. Commitments under operating leases are as follows:

	Hopper Cars (US$)	Premises & Office Equipment (Cdn $)
2001	$229	$725
2002	458	441
2003	458	294
2004	458	149
2005	458	41
After 2005	229	-

16. Off-Balance-Sheet Financial Instruments

The Corporation enters into interest rate hedging transactions to manage its funding costs and to implement asset/liability management strategies. These transactions are designed to reduce exposure to mismatches in revenue and expenses resulting from currency and interest rate fluctuations. These transactions include interest rate swap contracts, cross-currency interest rate swap contracts and currency swap contracts.

The Corporation also transacts foreign exchange forwards and swaps with financial institutions with the objective of hedging currency exposure arising primarily from grain sales. By hedging the currency exposure, risk arising from adverse currency movements is reduced.

As at July 31, the total notional amount of these off-balance-sheet financial instruments, all either maturing or rate re-setting within one year, is as follows:

	2000			1999		
(000's)	*Notional Amounts*	*Fair Value*	*Credit Risk*	*Notional Amounts*	*Fair Value*	*Credit Risk*
Interest rate contracts						
Single-currency interest rate swaps	$753,314	$(7,206)	$461	$1,154,880	$251	$8,164
Cross-currency interest rate swaps	204,541	(11,472)	5,595	124,185	(145)	3,691
Currency swaps	85,634	(3,356)	-	260,209	2,035	2,775
	1,043,489	(22,034)	6,056	1,539,274	2,141	14,630
Foreign exchange contracts						
Forwards	546,278	(4,263)	120	663,477	2,462	5,878
Swaps	-	-	-	124,759	3	714
	546,278	(4,263)	120	788,236	2,465	6,592
	$1,589,767	$(26,297)	$6,176	$2,327,510	$4,606	$21,222

The fair value of interest rate contracts refers to the net present value of expected future cash flows based on current market rates. These values have been derived using various methodologies including net present value analysis and quoted market prices where available. The fair value of foreign exchange contracts refers to the market value of forward contracts. These estimates of fair value are extensively affected by the assumptions used and as such, should not be interpreted as realizable values in an immediate settlement of the instruments.

Credit risk is the risk of financial loss occurring as a result of default by a counter-party on its obligations to the Corporation. A positive fair value indicates the Corporation's exposure to counter-party credit risk. The Corporation manages its exposure to credit risk by contracting only with financial institutions having a credit rating that complies with the financial risk management guidelines approved by the Department of Finance. Master netting agreements are used to reduce the credit risk from potential counter-party default. The largest cumulative notional amount contracted with any institution as at July 31, 2000 was $464,632,481 (1999 - $1,024,284,000) and the largest credit risk with any institution as at July 31, 2000 was $3,239,206 (1999 - $7,265,308).

[illegible] Revenue

	1999-2000		1998-1999	
($000's, except tonnes)	*Tonnes*	*Amount*	*Tonnes*	*Amount*
Wheat				
Disposition of grain				
Shipped prior to July 31	15 360 608	$2,887,478	11 792 939	$2,409,387
Shipped subsequent to July 31	1 536 091	285,434	846 128	174,330
Weight losses in transit and drying	764	-	716	-
Total disposition of grain	16 897 463	3,172,912	12 639 783	2,583,717
Add grain sold to subsequent pool account	2 241 631	405,634	2 649 485	528,319
Gross sales	19 139 094	3,578,546	15 289 268	3,112,036
Less sales used to value prior pool account	(2 649 485)	(528,319)	(2 703 488)	(526,193)
	16 489 609	3,050,227	12 585 780	2,585,843
Deduct cost of grain purchased from other than producers	(62 773)	(10,587)	(73 054)	(11,820)
Revenue	16 426 836	$3,039,640	12 512 726	$2,574,023
Durum				
Disposition of grain				
Shipped prior to July 31	3 516 885	$791,720	3 739 357	$826,174
Shipped subsequent to July 31	355 049	76,251	391 673	86,803
Weight losses in transit and drying	1 362	-	972	-
Total disposition of grain	3 873 296	867,971	4 132 002	912,977
Add grain sold to subsequent pool account	1 332 145	293,152	1 203 801	264,045
Gross sales	5 205 441	1,161,123	5 335 803	1,177,022
Less sales used to value prior pool account	(1 203 801)	(264,045)	(426 046)	(93,618)
	4 001 640	897,078	4 909 757	1,083,404
Deduct cost of grain purchased from other than producers	(25 906)	(4,602)	(5 118)	(1,163)
Revenue	3 975 734	$892,476	4 904 639	$1,082,241
Barley				
Disposition of grain				
Shipped prior to July 31	560 992	$75,749	203 539	$26,139
Shipped subsequent to July 31	65 334	8,406	16 567	2,161
Weight losses in transit and drying	-	-	8	-
Total disposition of grain	626 326	84,155	220 114	28,300
Add grain sold to subsequent pool account	167 357	22,800	121 893	16,677
Gross sales	793 683	106,955	342 007	44,977
Less sales used to value prior pool account	(121 893)	(16,677)	(48 646)	(4,818)
	671 790	90,278	293 361	40,159
Deduct cost of grain purchased from other than producers	(87)	(16)	(16 261)	(1,811)
Revenue	671 703	$90,262	277 100	$38,348
Designated Barley				
Disposition of grain				
Shipped prior to July 31	2 139 092	$399,190	1 780 583	$309,656
Shipped subsequent to July 31	222 312	45,697	157 900	26,244
Weight losses in transit and drying	-	-	-	-
Total disposition of grain	2 361 404	444,887	1 938 483	335,900
Add grain sold to subsequent pool account	236 896	44,853	42 741	7,168
Gross sales	2 598 300	489,740	1 981 224	343,068
Less sales used to value prior pool account	(42 741)	(7,168)	(59 065)	(10,910)
	2 555 559	482,572	1 922 159	332,158
Deduct cost of grain purchased from other than producers	(982)	(133)	(492)	(67)
Revenue	2 554 577	$482,439	1 921 667	$332,091

17. Revenue *(continued)*

Weight losses in transit and drying include losses that occur during the transport of grain after delivery to the Corporation by agents at terminal or mill position and losses that occur during drying at terminal position.

Disposition of grain represents tonnes that are shipped in a pool account prior to the completion of operations for that pool account or weight losses in transit and drying, and is comprised of the following:

(Tonnes)	*Wheat*	*Durum*	*Barley*	*Designated Barley*	*Total*
1999-2000					
Domestic	2 105 215	273 899	13 141	337 607	2 729 862
Export	14 791 484	3 598 035	613 185	2 023 797	21 026 501
Weight losses	764	1 362	-	-	2 126
	16 897 463	3 873 296	626 326	2 361 404	23 758 489
1998-1999					
Domestic	2 184 479	236 557	34 076	370 188	2 825 300
Export	10 454 588	3 894 473	186 030	1 568 295	16 103 386
Weight losses	716	972	8	-	1 696
	12 639 783	4 132 002	220 114	1 938 483	18 930 382

18. Administrative and General Expenses

Administrative and General Expenses are allocated as follows:

For the year ended July 31 (000's)	2000	1999
Administrative and General Expenses for the Crop Year	$63,713	$56,589
Less amounts allocated to:		
Preceding pool accounts related to administration of those pool accounts during the current crop year	(20,656)	(21,746)
Provision for expenses related to administration of the producer payment accounts during the current crop year	(314)	(295)
Fixed price contract program relating to the subsequent crop year	(191)	-
Balance Applicable to Current Pool Accounts	42,552	34,548
Add amounts allocated from:		
From estimated administrative and general expenses for the subsequent crop year related to administration of the current pool accounts	21,219	20,656
Total Allocated to 1999-2000 Pool Accounts	$63,771	
Total Allocated to 1998-1999 Pool Accounts		$55,204
Net allocation as follows:		
Wheat	$44,328	$35,214
Durum	10,733	13,802
Barley	1,816	781
Designated Barley	6,894	5,407
	$63,771	$55,204

The administrative and general expenses that are charged to the current pool accounts include an allocation of costs that are expected to be incurred in the subsequent crop year. The purpose of this is to ensure that the current pool accounts reflect the costs of the marketing activities that take place after the end of the crop year.

19. Grain Industry Organizations

For the year ended July 31 (000's)	2000	1999
CWB share of operating costs of:		
Canadian International Grains Institute (40 per cent share)	$1,701	$1,664
Car Allocation Policy Group (33.3 per cent share)	-	35
	$1,701	$1,699
Allocated as follows:		
Wheat	$1,183	$1,084
Durum	286	425
Barley	48	24
Designated Barley	184	166
	$1,701	$1,699

The Car Allocation Policy Group ceased to exist effective July 31, 2000. There were no costs incurred during the current crop year.

The Corporation's share of operating costs of grain industry organizations is allocated to the current pool accounts based on relative tonnage.

20. Comparative Figures

Certain of the prior year's figures have been restated to conform with the current year's presentation.

Glossary of Financial Terms

Cross-currency interest rate swap – a contractual agreement for specified parties to exchange principal, fixed and floating interest rate payments, in different currencies. Notional amounts upon which the interest rate payments are based are not exchanged.

Currency swap – a contractual agreement for specified parties to exchange the cash flow of one currency for a fixed cash flow of another currency.

Derivative instrument – a contract or security that obtains much of its value from price movements in a related or underlying security, future, or other instrument or index.

Fair value – an estimate of the amount of consideration that would be agreed upon between two arm's length parties to buy or sell a financial instrument at a point in time.

Foreign exchange forward – an agreement to buy and sell currency at a specified price and date in the future.

Foreign exchange swap – a transaction in which a foreign currency is simultaneously purchased in the spot market and sold in the forward market or vice-versa.

Futures contract – a future commitment to purchase or deliver a commodity or financial instrument on a specified future date at a specified price. The futures contract is an obligation between the corporation and the organized exchange upon which the contract is traded.

Hedge – a risk management technique used to decrease the risk of adverse commodity price, interest rate or foreign exchange movements by establishing offsetting or risk-mitigating positions intended to reduce or minimize the corporation's exposure.

Liquidity – having sufficient funds available to meet corporate obligations in a timely manner.

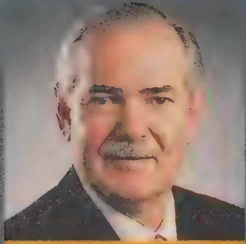
Notional amounts – a reference amount upon which payments for derivative financial instruments are based.

Option – a contract that grants the right, but not the obligation, to buy or sell a commodity or financial instrument at a specified price at a specific point in time or during a specified period.

Risk management – the application of financial anaylsis and diverse financial instruments to the control and, typically, the reduction of selected types of risk.

Single currency interest rate swap – a contractual agreement for specified parties to exchange fixed interest rate payments for floating interest rate payments based on a notional value in a single currency. Notional amounts upon which the interest rate payments are based are not exchanged.

Swap – a contractual agreement to exchange a stream of periodic payments with a counter-party.



Greg Arason
President and
Chief Executive Officer (CEO)

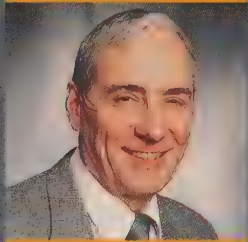
Ken Ritter
CWB Chair
Director-elected (District 4)

Betty-Ann Heggie
Director-appointed

David Hilton
Director-appointed

Ross Keith
Director-appointed

James Stanford
Director-appointed



Art Macklin
Director-elected (District 1)

James Chatenay
Director-elected (District 2)

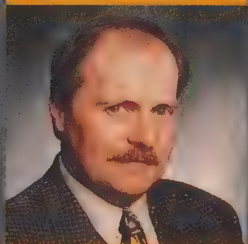
Larry Hill
Director-elected (District 3)

John Clair
Director-elected (District 5)

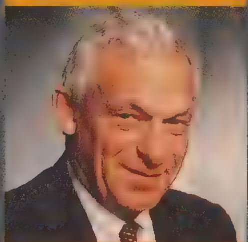
Ian McCreary
Director-elected (District 6)

Micheal Halyk
Director-elected (District 7)

Terry Hanson
Director-elected (District 8)



Bill Nicholson
Director-elected (District 9)



Wilfred Harder
Director-elected (District 10)

Corporate Governance: A Report from the Board of Directors

The CWB Board of Directors (the "Board") believes that the strength of the organization will depend on the strength of the Board. The Corporate Governance policies of the CWB were developed to empower the Board of Directors to provide the strategic guidance needed to ensure the organization meets its mission of maximizing returns to farmers.

Responsibilities

The CWB Board of Directors is responsible for overseeing the conduct of the business of the CWB. As part of the overall responsibility, the Board:

- reviews and approves the strategic plan, annual operating and capital budgets and the corporate and borrowing plans.
- reviews the progress in achieving the goals established in the strategic operating and capital plans and alters CWB's strategic direction through management in light of changing circumstances.
- ensures management has identified the principal risks of the CWB's business and takes all reasonable steps to ensure the implementation of appropriate systems to manage these risks. Directs management to ensure systems are in place for maintaining the integrity of the CWB's internal financial control and management information systems.
- ensures a management succession plan is in place.
- assesses the integrity and effectiveness of the CWB's internal controls and management information systems.

Composition

The Board is comprised of fifteen directors: the CEO and President, appointed by the federal government, four other appointed directors and ten directors elected by farmers.

Code of Conduct

The Board operates under a detailed Code of Conduct and Conflict of Interest policy which establishes standards of conduct expected and required of all directors. This code enables the CWB to effectively achieve its mission by maintaining a reputation for the highest standard of public trust and confidence in serving farmers, customers and the public interest.

Strategic planning process

The Board of Directors is responsible for the establishment and periodic evaluation of the strategic plan and held two strategic planning sessions during the 1999-2000 crop year.

Integrity of internal controls and management information systems

The Audit and Finance Committee of the Board meets with external auditors, internal auditors and corporate management to assess the reliability and effectiveness of the companies accounting systems and internal control systems and to review any significant control weaknesses. The Audit Committee reports at each meeting of the Board of Directors.

Board & C.E.O. evaluation processes

The Board assesses its effectiveness and the effectiveness of its committees annually. Each Board committee annually reviews its terms of reference and reports directly to the Board of Directors. The Board annually reviews the C.E.O.'s performance.

Director Communication Policy

In recognition of the unique responsibility the CWB Board of Directors has to western Canadian farmers, the Board created a communications policy to define how directors exercise their communication role in a manner that supports the twin imperatives of functioning as an efficient commercial operation and being accountable to farmers for decisions made on their behalf. This policy allows directors the flexibility to speak externally about Board issues and topics on his or her own voting choices and position, while maintaining the integrity of the Board's decision-making process.

Discussion at a board meeting. (l. to r.) James Chatenay, Larry Hill, Ross Keith, Art Macklin, Butch Harder, Terry Hanson, and John Clair.

Accomplishments of Board of Director Committees 1998-2000

Audit and Finance Committee:

David Hilton (Chair); John Clair, Larry Hill (Members)

Mandate:

- To ensure that the CWB's accounting and financial reporting systems provide accurate and timely financial information and that management has designed an effective system of internal controls.
- To facilitate the conduct of the annual audit in an efficient, cost effective manner.
- To recommend approval of the annual financial statements to the Board, including the selection of appropriate accounting policies and practices.
- To recommend an audit firm for appointment as external auditor and assess auditor performance.
- To review and recommend to the Board financial plans and proposals consistent with the CWB's overall objectives and ensure its long-term financial viability.
- To review the adequacy of, and recommend to the Board, financial risk policies.

Accomplishments:

- Met annually, and any other time deemed necessary, independently with the external auditors.
- Jointly, with the Risk Management and Strategic Issues Committee, reviewed the corporate plan and recommended Board approval of the corporate plan.
- Recommended an audit firm and appointed an external auditor and assessed auditor performance.
- Inquired of management, the Director of Internal Audit and the external auditor about significant financial risks or exposures affecting the CWB and assessed the steps management had taken to minimize or manage such risks.
- Met with the Office of the Auditor General (OAG) to provide input into their development of an audit plan for the special audit to be undertaken by the OAG.
- Met regularly with management to discuss and approve accounting and financial policies including all financial risk management policies.
- Reviewed and recommended the annual budget for Board approval.

Governance and Management Resources Committee:

Jim Stanford (Chair); James Chatenay, Art Macklin (Members)

Mandate:

- To assist the Board in fulfilling its obligations relating to human resource and compensation matters and to establish a plan of continuity and development of senior management.
- To provide a focus on governance that will enhance the effectiveness of the Board and the CWB's performance.

Accomplishments:

- Developed Board Governance Manual containing all policies relating to Board conduct, including Terms of Reference for the Board, Directors, C.E.O and Committees as well as the Code of Conduct and Conflict of Interest Guidelines.
- Developed Corporate by-laws.
- Developed and implemented annual Board and C.E.O. evaluation process.
- Developed Director Compensation Policy and conducted annual review.
- Jointly with the Risk Management and Strategic Issues Committee and the Grain Marketing Review Commission, reviewed the 1998 CWB director election process and made recommendations for regulatory change for 2000 election.
- Developed Code of Conduct to govern directors behavior during director election process.

Risk Management and Strategic Issues Committee:

Ian McCreary (Chair); Greg Arason, Terry Hanson, Bill Nicholson (Members)

Mandate:

- To identify and define areas of corporate risk and strategic and policy issues. Corporate risk encompasses actions, threats or opportunities, either internal or external, which could affect the ability of the CWB to perform its mandate.
- To recommend priorities, time frames and processes for addressing these issues, as part of the annual strategic plan or as circumstances require, for approval by the Board.

Accomplishments:

- With the Governance and Management Resources Committee, reviewed the 1998 CWB director election process and made recommendations for regulatory change for 2000 election.
- Reviewed and made recommendations on the CWB policy for new generation co-operatives.
- With the Audit & Finance Committee, provided strategic input into the development of the corporate plan.
- Reviewed and made recommendations on the development of the fixed price and basis price contracts with farmers.
- Reviewed and made recommendations on the organic marketing policy.

Farmer Relations Committee:

Mike Halyk (Chair); Wilfred Harder, Betty-Ann Heggie, Ross Keith (Members)

Mandate:

- To assist the Board in developing strategies and policies regarding relations with farmers and communications with industry, government, customers, employees and the general public.

Accomplishments:

- Developed Director Communications Policy.
- Implemented district dinner meetings.
- Developed CWB's first Information Disclosure Policy.
- Developed comprehensive farmers communication strategy to improve accountability to farmers, including the creation of a Farmer Relations area, headed by a Vice-President.
- Oversaw communication strategy related to grain transportation issues.

In addition to the Board standing committees, there were three ad hoc committees established to undertake a specific task during a specific period of time.

Ad Hoc Committee on Transportation Strategy:

Ian McCreary (Chair); Greg Arason, Mike Halyk, Terry Hanson, Ross Keith, Art Macklin, Ken Ritter (Members)

Mandate:

- To provide strategic direction in the Federal Government review of the *Canada Transportation Act (the "CTA");*
- To provide strategic direction in the development of a commercialized transportation environment.
- To provide input to the development and functioning of the government monitoring body.

Ad Hoc Committee on Trade:

Larry Hill (Chair); David Hilton, Ross Keith, Art Macklin, Ian McCreary, Bill Nicholson (Members)

Mandate:

- To keep informed on all trade-related issues that could affect the ability of the CWB to perform its mandate and fulfil its mission.
- To recommend strategies and actions on trade issues for approval by the Board.

Ad Hoc Benchmarking Committee:

John Clair (Chair); Larry Hill, David Hilton, Ross Keith, Ian McCreary, Bill Nicholson (Members)

Mandate:

- To assist the Board of Directors in developing appropriate benchmarks for ongoing performance measurement and approving a process for the measurement against approved benchmarks.

Board of Directors

		Remuneration			Attendance		
Director	District	Board and Committee Retainers	Per Diems	Total	Board Meetings	Committee Meetings	Industry Meetings
Macklin, Art	1	$20,000	$39,450	$59,450	12	56	39
Chatenay, James	2	20,000	26,050	46,050	12	13	31
Hill, Larry	3	22,167	36,375	58,542	12	24	49
Ritter, Ken (Chair)	4	[1] 63,083	34,600	97,683	12	65	50
Clair, John	5	21,833	23,750	45,583	12	26	23
McCreary, Ian	6	24,333	40,150	64,483	12	60	41
Halyk, Micheal	7	22,167	29,975	52,142	12	76	51
Hanson, Terry	8	20,000	22,425	42,425	12	33	40
Nicholson, Bill	9	20,000	27,500	47,500	12	27	30
Harder, Wilfred	10	20,000	35,000	55,000	12	24	39
Arason, Greg (CEO)	*	N/A	N/A	N/A	12	N/A	N/A
Heggie, Betty-Ann	*	20,000	10,750	30,750	9	19	-
Hilton, David	*	21,333	21,500	42,833	11	27	11
Keith, Ross	*	20,000	35,500	55,500	12	58	13
Stanford, James	*	22,167	14,250	36,417	9	11	4
Total		**$337,083**	**$397,275**	**$734,358**			

** Appointed director*

Notes:

[1] Includes amounts paid during the current crop year pertaining to the previous crop year.

For the performance of their duties, directors are paid a basic annual retainer as well as per diem allowances. The board chair receives an annual retainer of $60,000. All other members receive $20,000, with committee chairs receiving a further $4,000. A per diem of $500 per full meeting day is also paid to each member. Most board meetings (including committee meetings) average 2 ½ days in duration. Directors are reimbursed for all reasonable out-of-pocket expenses including travel, accommodation and meals while performing their duties on behalf of the Corporation. Directors are also entitled to a maximum of $5,000 per crop year to assist them in communicating with farmers.

During the 1999-2000 crop year, the annual remuneration limit was increased from $50,000 to $60,000 for directors and from $90,000 to $100,000 for the board chair. Also during the 1999-2000 crop year, the annual retainer for committee chairs was increased from $2,000 to $4,000 and was changed to no longer be a part of the remuneration limit. Under certain circumstances, the board may decide that a director or group of directors can exceed the remuneration limit.

Senior Management

To achieve the Canadian Wheat Board's vision of adding value for prairie farmers, the Senior Management Team (SMT) leads and challenges employees to deliver more comprehensive and flexible services to farmers in an ever-changing environment. The Senior Management Team is comprised of the Executive Team, the Vice-Presidents and the Director of Internal Audit of the organization.

Characterized by corporate restructuring and an early retirement program, the 1999-2000 crop year was a year of change. Gordon Menzie was promoted through competition to the position of Executive Vice-president Finance, and Laurel Repski was recruited as Vice-President, Human Resources.

CWB Executive Team from left to right, Adrian Measner, Margaret Redmond, Greg Arason, Gord Menzie, Earl Geddes, Laurel Repski, Gordon Miles. Missing: Brian Oleson

CWB Vice-Presidents, from left to right Ward Weisensel, Larry Nentwig, Brian White, Bob Harris, Bill Spafford, Jim McDonald, Tami Reynolds, Keith McMahon, Robert Roehle.

The SMT members are responsible for participating in the development of the corporate strategic plan, setting priorities, taking action, and managing progress toward the achievement of corporate objectives.

Members are expected to act in good faith, and exercise care, skill and diligence in accordance with the CWB strategic objectives and corporate policies. They adhere to the highest ethical standards of business, professional and personal conduct, including avoidance of conflicts of interest as specified in the CWB's Conflict of Interest policy. At all levels, CWB management is committed to fostering a positive, professional and ethical work environment.

The Executive Team, a subset of the full SMT, is comprised of the President and Chief Executive Officer; Executive Vice-President, Finance; Executive Vice-President, Marketing; Executive Vice-President, Corporate Affairs; Vice-President, Human Resources and General Counsel, Corporate Secretary. New additions in the 2000-2001 crop year are the Vice-President, Farmer Relations and the Chief Economist. Mandated to act on broad strategic direction and establish corporate priorities, the Executive Committee is the principal decision-making authority for the CWB.

Senior Management Compensation

Senior Management Compensation

	1999-2000	1998-1999
Senior Management Compensation		
Salaries	$ 2,670,314	$ 3,167,588
Benefits	875,068	543,040
Total	$ 3,545,382	$ 3,710,628

Senior management is compensated in accordance with compensation policies that are approved by the Board of Directors. Salary ranges are approved by the Executive Committee and the Board of Directors. The salary range for vice-president positions during the year ended July 31, 2000 was $90,000 to $155,000, with the exception of the Vice-President, Sales and Marketing which is compensated within the Executive Vice-President range. The salary range for Executive Vice-President positions was $130,000 to $240,000. The Corporation does not have any additional compensation plans beyond basic salary for the Senior Management Team. The Board of Directors recommends the level of the salary and benefits of the President and Chief Executive Officer to the Minister responsible for the CWB each year. Senior Management Team compensation, including salary and employer-paid benefits, during the year ended July 31, 2000 totalled $3,545,382.

In accordance with the Corporation's Information Policy and desire to be open and accountable to farmers, the following table sets forth the compensation earned by the Corporation's Chief Executive Officer and the four other highest-paid executive officers ("Named Executive Officers") for the year ended July 31, 2000:

Summary Compensation Table

	Annual Compensation					
Name and Principal Position	Year Ended July 31[1]	Salary	Bonus [2]	Other [3]	Long-Term Compensation Awards [4]	All Other Compensation
Greg S. Arason President & CEO, Director	2000	$250,115	$ -	$ -	$ -	$ -
Adrian C. Measner Executive Vice-President, Marketing	2000	200,184	-	-	-	-
William W. Spafford Vice-President, Sales & Marketing	2000	165,151	-	-	-	-
Gordon H. Miles [5] Executive Vice-President, Corporate Affairs	2000	160,118	-	-	-	-
Gordon P. Menzie [6] Executive Vice-President, Finance & Treasurer	2000	136,959	-	-	-	-

Notes:

1 Individual compensation arrangements are being disclosed commencing with the year ended July 31, 2000.

2 The Corporation did not have a bonus plan in effect during the year ended July 31, 2000.

3 The value of perquisites and benefits for each Named Executive Officer did not exceed the lesser of $50,000 and 10% of the total annual salary and bonus of such officer.

4 The Corporation does not have a long-term compensation plan.

5 Subsequent to the end of the year, Gordon H. Miles resigned from the Corporation on January 19, 2001.

6 Gordon P. Menzie was appointed to the position of Executive Vice-President, Finance & Treasurer on October 4, 1999. He was previously Director, Treasury Operations.

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CWB

Prairie strong, worldwide

CWB

The Canadian Wheat Board

2000-01 Annual Report

The Canadian Wheat Board

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2000-01 Financial Highlights

($ millions)	**2000-01**	1999-2000	1998-99	1997-98	1996-97
Revenue	**4,227.7**	4,482.4	4,026.7	4,757.7	6,185.8
Direct costs	**177.4**	164.3	149.1	170.7	266.0
Administrative expenses	**66.4**	63.8	55.2	52.9	46.4
Grain industry organizations	**1.7**	1.7	1.7	1.6	1.7
Net interest earnings	**(75.2)**	(71.0)	(72.5)	(75.9)	(82.5)
Operating costs	**170.3**	158.8	133.5	149.3	231.6
Earnings for distribution	**4,057.4**	4,323.6	3,893.2	4,608.4	5,954.2

Note – 1997-98 and previous figures have been restated to reflect pooling points as Vancouver/St. Lawrence

Receipts from Producers (000 tonnes)					
Wheat	**13 961**	16 427	12 513	15 201	19 757
Durum	**3 665**	3 976	4 905	3 938	3 883
Barley	**454**	672	277	262	2 440
Designated Barley	**2 273**	2 554	1 922	2 267	2 402
Total	**20 353**	23 629	19 617	21 668	28 482

Wheat Board

The combined power of Prairie farmers makes the Canadian Wheat Board (CWB) one of the largest grain marketing organizations in the world. But that's not enough. In a rapidly changing grain industry, there is no time to stand still. There are challenges to be faced in grain transportation and handling, international trade and domestic demands for more marketing options.

The CWB has responded. Not only to external pressure, but to farmer requests for new ways to run the organization and plan for its future. The realities of the agricultural economy demand efficiency – to do our job well with the least cost to farmers.

The 2000-01 crop year has been one of movement, change and challenge. The issues are not easy, but the CWB is moving forward with confidence. Farmers who control the CWB expect nothing less.

Corporate profile

The CWB markets western Canadian wheat and barley to about 70 countries. All sales revenue, less marketing costs, is returned to farmers. The CWB is controlled by a Board of Directors that includes 10 farmer-elected members and five federal government appointees. As a major international grain trader, the third-largest Canadian exporter and a top earner of foreign exchange, the combined power of Prairie farmers through the CWB is considerable. More than 500 employees work at the head office in Winnipeg.

Vision

Vision: To create value for Prairie farmers by being an innovative world leader in marketing grain.

Mission

Mission: The CWB markets quality product and service in order to maximize returns to western Canadian grain producers.

A message from the Chair of the Board of Directors and the President/CEO

President and CEO Greg Arason (left) with Chair Ken Ritter

If change is better than rest, then the start of the new millennium has been very good indeed for the CWB. Not only have we been working through dramatic changes to our own governance structure and corporate culture, our external environment has also been changing at a rapid pace.

Major transformations are taking place in the world of grain transportation. Over the past year, the CWB successfully brought a strong farmer perspective to negotiations with grain companies and the federal government. We are proud of the agreement reached at the end of the crop year on grain handling and transportation, where we pushed to preserve competition in the interests of farmers' bottom lines. More change lies ahead in response to the Canadian Transportation Panel review of the rail freight system.

Other changes in 2000-01 have posed fresh challenges. A historic merger between Agricore and United Grain Growers could have lasting ramifications for all players in the Canadian grain industry. This merger was finalized in November 2001. The international trade environment has been increasingly volatile as disagreements deepen over agricultural subsidies. American interests launched their ninth trade challenge of the CWB since 1989, hoping for support from a new White House administration – while further subsidies are proposed for U.S. farmers.

On the home front, total CWB wheat and barley exports for the 2000-01 crop year hit 104 per cent of our target of 18.2 million tonnes. Prices strengthened on the world market and should show modest improvement in 2001-02 as global stocks decline. But there will be pain in the year ahead. Last summer, western Canadian farmers faced the worst drought in more than a decade, driving production estimates down by 15 to 20 per cent. The ramifications of September's terrorist attack in the U.S. have introduced more uncertainty to the international grain trade.

Yet it is hard times that bring people together – and that has always been a strong tradition on the Prairies. Improving the connection with farmers has been a top priority over the past year, leading to the creation of a vibrant new department called Farmer Relations. Paying close attention to farmers' needs resulted in new payment and pricing options and greater advocacy on behalf of producers.

We have also worked to improve openness and accountability in all areas, prompting the Board to invite the federal Auditor General to examine CWB operations in detail. We launched a "benchmarking" project that should help farmers evaluate our ongoing marketing performance. And we put great emphasis on long-term planning and strategic direction, in an effort to devote our resources towards clear goals set by our farmer-controlled Board of Directors.

The CWB is moving forward through a challenging time, forging a new role with elected directors and a renewed senior management team. We invite all farmers to climb aboard and help set the course for the future.

Ken Ritter
Chair, Board of Directors

Greg Arason
President and Chief Executive Officer

CWB performance highlights

For the crop year 2000-01, the CWB Board of Directors and senior management identified 11 strategic priorities to guide the activities of the organization.[1] Some key initiatives to achieve these priorities and their results are listed here.

Strategic priorities	Initiatives	Results
Distribute returns to Prairie farmers in a manner consistent with the relative value of their products through mechanisms that strive for fairness and equity.	▸ Fairly compensate farmers for wheat protein value. ▸ Enact new payment and pricing options for farmers (PPOs). See pages 8, 28 and 29. ▸ Provide payments through the pool accounts as early as possible through increasing adjustment payments.	▸ Changed the base grade for CWRS to No. 1 CWRS 12.5% protein. Expanded the range of protein payment increments for Nos. 1 and 2 CWRS and CWAD.[2] ▸ Farmers signed up 982 contracts (184 369 T) for fixed price or basis options[3], a five-fold increase from the initial offering the previous year. ▸ Farmers signed up 2,286 contracts (296 626 T) under a new Guaranteed Delivery Option for barley. ▸ Producers of No. 1 CWRS 13.5% protein received 97% of their total payment by Oct. 24, 2000. This compares to 93% by Oct. 23, 1998 and only 87% by Oct. 21, 1992.
Provide and demonstrate to Prairie farmers the competitive advantage of single-desk selling of wheat and barley.	▸ Commission a special study to develop performance measures of the CWB's core marketing function.	▸ Results expected in 2002.
Be transparent by providing Prairie farmers with information, including market-related information that does not jeopardize the competitive and commercial position of the CWB.	▸ Provide farmers with a Pool Return Outlook (PRO), updated monthly, to estimate market returns. ▸ Devise guidelines for the release of information. ▸ Use technology to provide relevant information. ▸ Assist a team from the federal Office of the Auditor General in its examination of the CWB. ▸ Provide comprehensive financial information in the Annual Report and other CWB publications such as *Grain Matters*.	▸ Initial price forecasts of the 2000-01 PRO were within $10 of actual final payments for all CWB grain except durum. ▸ Enacted a formal Information Policy. ▸ Provided up-to-date information through the CWB Web site (35,478 user sessions in April 2001), regular e-mail updates (3,231 subscribers in April 2001) and Farm Business telephone service (161,156 calls received; 26,690 calls initiated in 2000-01). ▸ Auditor General's findings expected in early 2002 and will be publicized. See page 14.
Demonstrate that the CWB is controlled by Prairie farmers.	▸ Hold Board of Director elections in five of 10 CWB districts.	▸ 30,206 ballots were returned from farmers, a 40.6% response rate. See page 60.

CWB performance highlights

Strategic priorities	Initiatives	Results
Demonstrate accountability to Prairie farmers by seeking out, listening to and responding to their concerns.	▸ Create a new Farmer Relations department. ▸ Meet directly with farmers. See page 8. ▸ Introduce the FarmCall program to solicit farmer views. Conduct regular producer surveys. ▸ Enact new Producer Payment Options based on farmer input from focus meetings, surveys, telephone calls and field interaction. See pages 8, 28 and 29.	▸ Re-focused the role of the CWB's 18 field representatives and the toll-free telephone service for farmers. See page 8. ▸ Held 182 market outlook and marketing choice meetings with farmers. ▸ Held 36 Board of Director accountability meetings with farmers in March 2001. ▸ Held eight "Combine to Customer" and "Customer Connection" meetings. ▸ FarmCall interviewed 1,008 Saskatchewan farmers, while 1,320 Prairie farmers were surveyed by telephone.
Operate in a manner that encourages value-added initiatives on the Prairies.	▸ Assist processors with CWB quality assurance, guaranteed supply, pricing flexibility and technical expertise. See page 9. ▸ Conduct research and provide analysis of value-added projects that benefit farmers.	▸ Developed a new policy for organic producers to streamline Producer Direct Sale transactions and create a special credit program for up-front costs. See page 9. ▸ Hired a market development value-added manager. ▸ Hired an organic sales manager.
Provide equitable opportunity for Prairie farmers to access world grain markets.	▸ Conduct a comprehensive review of Grain Delivery Policy. ▸ Enact new programs to provide marketing choice for farmers (PPOs), including the option of basing a fixed price on the Minneapolis futures market. See above.	▸ Defined key principles and environmental factors affecting the delivery of grain to the CWB. Long-term delivery policy will be shaped with input from farmer focus meetings and other feedback.
Actively represent Prairie farmers' interests on relevant issues to government and industry.	▸ Represent farmers' interests during negotiations with government and the grain industry. ▸ Provide input to Canada's World Trade Organization representatives and respond to an American trade challenge of CWB practices.	▸ Negotiated a transportation agreement with beneficial aspects for farmers. See page 10. ▸ Helped set the agenda as a leader in the debate over genetically-modified wheat. ▸ Successfully advocated for farmer tax credits from CWB contributions to research. ▸ Pushed for recognition of farmers' transport-related costs as part of National Income Stabilization Account.

highlights

Strategic priorities	Initiatives	Results
Attract, develop and retain markets by delivering quality products and services to customers worldwide.	‣ Overall marketing forecast for exports of wheat, durum and barley was 18.2 million T, including 11.7 million T wheat, 3.5 million T durum, 1 million T feed barley and 2 million T designated barley. ‣ Develop long-term marketing plans for wheat, durum and barley to 2008. ‣ Develop a firm position on GM wheat in response to customer concerns, while working to develop better segregation methods. See page 13. ‣ Lead the establishment of the Canadian Malting Barley Technical Centre, which provides customers with a hands-on demonstration of barley variety benefits. ‣ Participate in agricultural research activities, such as the Automated Quality Testing initiative. See page 12.	‣ Achieved 104% (19 million T) of export forecast, including 110% (12.9 million T) for wheat, 100% (3.5 million T) for durum, 69% (693 000 T) for feed barley and 96% (1.9 million T) for designated barley. ‣ New long-term marketing plans give indications of future market trends, desirable research projects, quality control improvements and evolution of grain classes. ‣ Participated in public events surrounding the GM wheat issue, made presentations to government, began work with Canadian Grain Commission on new segregation technology. ‣ New Canadian Malting Barley Technical Centre officially opened on October 11, 2001.
Provide industry leadership to achieve the most efficient handling and transportation system.	‣ Play a key role in negotiations surrounding the commercialization of grain handling. ‣ Negotiate with OmniTRAX (Churchill) and Mission Terminal (Thunder Bay). ‣ Provide input to review of the Canadian Transportation Act and urge more meaningful competition between rail carriers.	‣ Agreement reached in August 2001 between CWB and grain industry partners. See page 10. ‣ Reached agreements with OmniTRAX and Mission Terminal re. tonnage and performance incentives. ‣ Implemented the Churchill Freight Advantage Rebate to tie freight savings more closely to grain shipments.
Maintain a healthy and safe work environment and provide employees opportunities for personal growth and professional excellence in an equitable manner that respects diversity.	‣ Present results of employee survey and establish committees to respond to the issues raised. See pages 14 and 15. ‣ Work towards developing an in-house pension plan to gain increased control, greater flexibility and reduced costs. See page 15. ‣ Involve staff in the creation of a set of corporate core values. See page 14. ‣ Provide staff training opportunities to ensure staff can best meet farmers' needs.	‣ Reports from committees studying internal communication and employee compensation expected in late 2001. ‣ Board of Directors approved withdrawal from the Public Sector Superannuation in favor of in-house pension plan. ‣ Core values approved in late 2001. ‣ $1.2 million was allocated for training and development in the 2000-01 budget.

[1] Four new focus areas were developed to guide activities beginning in 2001-02: Farmer, Customer, Mandate and Employees/Corporate.

[2] CWRS = Canada Western Red Spring wheat; CWAD = Canada Western Amber Durum

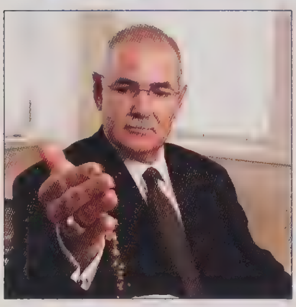
[3] Calculations as of November 8, 2001

Farmer-run Board of Directors

The CWB Board of Directors consists of 10 farmer-elected members and five federal-government appointees. This new governance structure has been in existence since 1998. It reflects farmers' desire for a direct and accountable way to control the CWB.

Art Macklin (District 1)
Operates a grain and cattle farm near Grand Prairie, Alberta. Active in church and community, he is a past president of the National Farmers Union and served as chair of the former CWB Advisory Committee.

James Chatenay
(District 2)
Operates a family farm near Penhold, Alberta. A graduate of Olds Agricultural College, he served six years as director of the Alberta Charolais Association.



Greg Arason, CWB President and Chief Executive officer
(Appointed)
Involved in the Prairie grain industry for more than 25 years. A former CEO of Manitoba Pool Elevators and past director of several grain and food operations.

Larry Hill
(District 3)
Farms near Swift Current, Saskatchewan. A graduate of agricultural engineering and farm business management at the University of Saskatchewan, he has worked for Saskatchewan Agriculture.

Ken Ritter, CWB Chair
(District 4)
Operates a family farm in west central Saskatchewan. Has practiced law and taught school in Canada and Australia.

Bonnie DuPont (appointed)
Group Vice-President, Corporate Resources, at Calgary's Enbridge Inc. Has expertise in energy transport and grain handling. Held senior roles with Alberta Wheat Pool and Saskatchewan Wheat Pool.

John M. Clair
(District 5)
Senior partner in a family farm producing wheat, canola, peas and barley near Radisson, Saskatchewan. A former CWB advisor, school trustee and Saskatchewan Wheat Pool delegate.

Ian McCreary
(District 6)
Runs a mixed family farm near Bladworth, Saskatchewan. Holds a Masters degree in agricultural economics. Former CWB marketing manager and policy analyst.

# of Directors

Betty-Ann Heggie
(appointed)
Senior vice-president of the Potash Corporation of Saskatchewan, the world's largest fertilizer company. Has extensive experience with investor relations and international commodity marketing.

Micheal Halyk
(District 7)
Operates a grain, oilseed, pulse, alfalfa, seed and livestock operation near Melville, Saskatchewan. Involved in numerous agricultural policy groups, former CWB Advisory Committee member.

Rod Flaman
(District 8)
Operates a farm near Edenwold, Saskatchewan which has diversified into horticulture of berries and asparagus. A member of the Western Canadian Wheat Growers' Association.

David A. Hilton
(appointed)
A former senior vice-president of international banking for the Bank of Nova Scotia, with expertise in international finance, aid, development and trade. Born and raised in Alberta.

Bill Nicholson (District 9)
Operates a grain farm near Shoal Lake, Manitoba. Served on the former CWB Advisory Committee, was a Manitoba Pool delegate and worked as an engineer in the farm machinery industry.

Wilfred (Butch) Harder
(District 10)
Operates farms near Lowe Farm and Headingley, Manitoba. A former CWB Advisory Committee member and director with Manitoba Pool and the Canadian Co-operative Association.

Ross L. Keith (appointed)
President of the Nicor Group property development company and a former partner in the Regina law firm of MacLean-Keith. President of a third-generation family farming operation in southern Saskatchewan.

District Map

From the land

The job of the CWB is to maximize returns to farmers. It's our only job. Whether we're marketing durum in Algeria, negotiating with grain companies in Saskatchewan or discussing trade policy in Ottawa, our goal is always the same.

In 2000-01, two years after the creation of a new farmer-controlled Board of Directors, the CWB established a key new department called Farmer Relations. Its job is to improve the direct business relationship between the CWB and the 85,000 wheat and barley farmers who run it. Farmer Relations will listen to farmers, advocate on their behalf, provide information and assistance, and work together on business-related activities.

It includes 18 Farm Business Representatives (FBRs), who work in the country directly with farmers, and a toll-free Business Centre with 25 telephone representatives who handled 187,000 calls during the past crop year. Work has begun towards an Internet e-business system so farmers can conduct some of their CWB business on-line for greater convenience and reduced costs.

Marketing choices

In response to farmer demands for pricing flexibility, the CWB introduced its first payment option program. These options give farmers the freedom and choice of the cash market without compromising the major competitive advantages of marketing grain under a single desk.

The fixed price and basis contract program enables farmers to lock in prices using their own assessment of the market. In 2000-01, more choices were offered. The new program was expanded to all grades and classes of wheat and barley, a guaranteed delivery contract was offered for feed barley and a new early payment option was introduced for two wheat classes. For more information, please refer to page 28-29.

A farmer voice

The CWB worked hard during 2000-01 to advocate for farmers. In the crucial area of transportation reform, we successfully brought the views of farmers to the negotiating table. We ensured a strong farmer voice was heard on the controversial issue of genetically modified wheat and defended the Canadian grain marketing system against an American trade challenge. We urged the federal government to address crop loss caused by drought and floods and requested changes in tax rules and NISA contributions to assist farmers.

Listening to producers

To ensure farmer concerns are heard and understood, the CWB conducted surveys, assembled focus groups and held hundreds of face-to-face meetings with farmers. A program called FarmCall surveyed the views of 1,008 Saskatchewan farmers in 2001. In addition, a producer telephone survey was conducted which polled 1,320 Prairie farmers.

FBRs held 182 meetings on market outlook and producer pricing options. Four "Combine to Customer" meetings gave 114 farmer participants an opportunity to learn more about the grain industry. And four "Customer Connection" meetings saw farmers meet with end-use customers, while presenting technical information and market outlooks.

Helping add value

The strength of the Canadian milling and processing industry is growing. Last year, Canada's domestic industry was the CWB's top customer for wheat and malting barley. Per capita processing is greater in Canada than the U.S., while Canadian flour shipments to the U.S. have increased more than 800 per cent since 1991. Canada exports more wheat and durum products to the U.S. than it imports. Since 1998, 11 new facilities or expansions have occurred in the wheat and barley processing sectors, outstripping the growth rate of U.S. processing.

All this is happening within the CWB marketing environment, where transparent pricing is based on the North American market – without price incentives or discounts. This helps maximize returns to western Canadian farmers. Canadian processors benefit from CWB quality assurance, guaranteed supply and professional assistance. Last year, the CWB hired a market development value-added manager to help build on this success. An annual "Moving Up Market" conference is arranged by the CWB to help farmers learn specific techniques for adding value to their crops.

Organic marketing

A new policy was developed for organic wheat and barley producers and an organic sales manager was put in place. As of March 1, 2001, organic farmers can call the CWB directly to make a Producer Direct Sale transaction and be eligible for a special credit program to help with up-front costs. Producers also retain the organic premium. This is another way the CWB is attempting to respond to farmer concerns without compromising the competitive advantages of the Prairie farmers' single desk. From the inception of the program in April 2001 to the end of July 2001, 30 organic producers sold 968 tonnes of wheat, durum and barley.

Earlier payments

The CWB is striving to provide payment to farmers as early as possible without exposing the pool accounts to financial risk. There have been significant improvements over the past decade in the proportion of total payment that farmers receive prior to final payment. For example, farmers received 97 per cent of their payment for No.1 Canada Western Red Spring Wheat by October in 1999-2000, compared to 93 per cent in 1997-98 and only 87 per cent in 1991-92. In 2000-01, 94 per cent of payment had been distributed to farmers in the wheat pool by the first week of July.

Earl Geddes runs the CWB's new Farmer Relations department. As a vice-president reporting directly to the CEO, he ensures a grassroots farmer perspective is brought to bear on all major CWB business decisions.

On track

Transportation is the vital link that ties together production and marketing activities at the CWB. With so much of Western Canada's production destined for distant markets, it is a constant challenge to find ways to move farmers' grain in a cost-efficient and timely manner. The 2000-01 crop year, in this sense, provided major opportunities for the CWB to help improve the system for farmers.

In negotiations

Going into negotiations with grain companies over a long-term handling and transportation agreement, the CWB had several key objectives. We wanted to maintain a voice for farmers within the transportation and handling system. We wanted recognition of the fact that transportation logistics cannot be separated from marketing activities. And most importantly, we wanted to develop a framework that would ensure there was meaningful competition for grain at the farm gate.

The CWB is confident these objectives have been achieved in the agreement that was reached at the end of the past crop year. Competition has been enhanced significantly through the implementation of a new rail car awards system that places more power and control in farmers' hands. As well, the new agreement has secured the participation of all grain companies in the tendering process. Finally, the Primary Elevators Handling Agreement that is part of the deal provides a stable business environment that will allow the CWB and grain companies to create greater efficiencies.

There is reason to be optimistic that this agreement will pay dividends to farmers in the future through reduced costs and greater system efficiency. Clear performance measures are now in place that will reward parties for living up to contractual agreements. Conversely, failure to perform by either the companies or the CWB will lead to the assessment of liquidated damages. The agreement, therefore, is really an important first step towards building a system that is commercially based. The CWB will continue to find ways of achieving efficiencies wherever possible.

Rail transportation

One area that will continue to command attention is the issue of rail transportation. The federal Transport Minister released the Canadian Transportation Act Review Panel's report in July of 2001, containing several recommendations on rail movement that the CWB views with concern. Efforts will be undertaken with other partners in the agricultural community to clearly put forth options and alternatives to the Transportation Minister that will better serve farmers' interests.

A transportation monitor was named by Ottawa in late June. The CWB will be working closely with the monitor to ensure that a thorough and factual evaluation of the transportation system's performance is completed. The cap on rail revenue – on which the Canadian Transportation Agency ruled in March 2001 – was supposed to generate savings of close to $6 per tonne for western Canadian farmers. These anticipated savings have failed to materialize. The CWB will continue to work to see that increased efficiencies in the transportation system flow back to farmers.

In particular, the CWB will continue to push for:

- retaining the limit on revenues earned by railways on grain movement;
- adoption of effective running rights legislation to allow carriers to compete for traffic on another railway's lines; and
- adoption of legislation outlining the processes to govern discontinuance of service to existing producer loading sites.

Moving farmers' grain

While advocating on farmers' behalf demanded a lot of attention in the 2000-01 crop year, the job of moving farmers' grain and achieving export targets was still our primary task. At the start of the past crop year, an objective of 18.2 million tonnes was set for the export program. That objective was effectively achieved with exports totaling 104 per cent of the target set at the start of the year.

Other transportation issues during the year included implementation of the Churchill Freight Advantage Rebate to tie freight savings more closely to actual grain shipments moved through Churchill. Also, agreements were reached with OmniTRAX (Churchill) and Mission Terminal (Thunder Bay) that specify the CWB tonnage to be handled, as well as related incentives or liquidated damages to ensure satisfactory performance.

Discussions began in earnest with a farmer group called West Central Road & Rail, which envisions a producer-car loading facility to enhance service and marketing options for farmers of the Saskatoon-Eston area.

From train to port

Total unloads of major Prairie grains at western Canadian port positions (number of rail cars).

	2000-01	1999-2000
Churchill	**7,552**	5,211
Thunder Bay	**76,288**	77,548
Vancouver	**161,108**	157,004
Prince Rupert	**26,658**	38,492
Grand total	**271,606**	278,255

Source: Canadian Grain Commission

Setting sail

At the port of Vancouver

The CWB markets wheat and barley grown by Canada's Prairie farmers to about 70 countries. Getting the best price for this grain is a complex task that demands the talent of skilled marketers and industry analysts. Our Sales and Marketing department includes specialists who speak 12 languages, arrange overseas sales missions and stay in close contact with hundreds of customers and potential buyers. Analysts are busy each day tracking international trends, weather and economic factors to maximize sales opportunities, while policy experts continually work to negotiate favorable trade conditions.

Our top customer last year was in our own backyard, a reflection of the growing strength of the Canadian value-added grain processing industry. In 2000-01, the Canadian flour industry purchased 2.3 million tonnes of western Canadian wheat, up almost 10 per cent from the previous year. Canada also took the largest share of last year's malting barley crop, with purchases of 1.2 million tonnes. Our top durum customer was Algeria, while Saudi Arabia bought the most feed barley. Our largest international wheat customers were Iran, Japan, Mexico and the United States.

The CWB's biggest competitive advantage in the international grain market derives from a strength in numbers. With all Prairie wheat and barley farmers selling through a single desk, the CWB has the power to compete at the same level as the world's largest grain traders.

Forging success

Strong marketing efforts resulted in significant successes during 2000-01. Almost 600 000 tonnes of malting barley was sold to Chinese customers, one of our best years in that market. Two-thirds of these sales were of newer (non-Harrington) varieties, now favored by western Canadian barley growers. The Chinese sales resulted from successful market development efforts in previous years, including a collaborative brewing research project in China at the Wuxi University Brewing school, funded by CWB.

In Egypt, the CWB sold substantial milling wheat tonnage for the first time since the late 1980s, with total shipments during the crop year exceeding 150 000 tonnes. Sales of high-quality durum to Morocco reached record levels, totaling 625 000 tonnes. The Moroccan market remains extremely quality conscious and has become our second-largest durum market. Hard work on a marketing program in the Philippines paid off with a 67 per cent increase in sales to 725 000 tonnes. In South Africa, a cargo of CWB two-row malting barley was sold for the first time in several years. This included the new variety, AC Metcalfe, and continued sales to South Africa are anticipated in coming years. The CWB also renewed and expanded a long-term supply agreement with our largest customer in Mexico.

Ensuring quality

The CWB is a key participant in a major project called Automated Quality Testing, which began work to "fingerprint" Canadian wheat and barley varieties using DNA-based tests. Results from this project are expected to address limitations with the current Kernel Visual Distinguishability system used in Canada to identify different-grain varieties.

The CWB is also an important stakeholder in the new Canadian Malting Barley Technical Centre (CMBTC), which opened in October 2001 in Winnipeg. Its mandate is to provide applied research, education and technical support for Canadian malting barley marketers, processors and their domestic and international customers. The CMBTC features a pilot malting plant and brewery run by expert staff.

Biotechnology issues

Several important CWB customers have expressed strong objections to food products containing genetically modified (GM) material. During the past crop year, this became a highly public issue after Monsanto announced development of GM wheat.

The CWB will not support the commercial introduction of GM wheat until there is a safe system for its segregation from conventional supplies. One of the most important services offered by the CWB to its overseas customers is an assurance of grain quality. As long as customers are unwilling to buy GM wheat, we must ensure proper segregation is in place to protect our excellent reputation for consistent and high-quality wheat.

During 2000-01, CWB directors and staff held ongoing meetings with federal politicians and regulators to discuss our concerns about the negative impact GM wheat could have on export sales. The CWB added its voice to a group of 210 stakeholders, calling on Ottawa to halt approval of GM wheat until these concerns have been addressed. In the meantime, the CWB is participating in research of new detection technology to create safe segregation methods.

At the international table

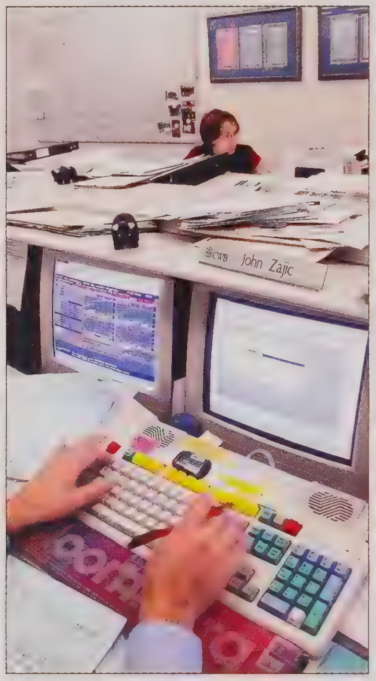
The international trade policy environment has a direct impact on the ability of the CWB to maximize returns to Prairie farmers. The CWB has developed a comprehensive trade strategy which includes providing direction and support to Canada's negotiating teams on World Trade Organization (WTO) issues, export credit and food aid. A top priority is to promote better understanding about the CWB in the European Union, where it is essential to ensure market access. CWB representatives joined Canadian negotiators at the last WTO round in Qatar in November 2001.

U.S trade challenges

CWB success in the world market has made us the target of repeated trade challenges from American groups who oppose the single-desk structure because of its inherent trade advantages. During the 2000-01 crop year, another U.S. trade challenge was launched – the ninth in the past decade. All eight previous challenges have resulted in decisions upholding the CWB's status as a fair trader. We expect the outcome of the current challenge, from a farmer advocacy group called the North Dakota Wheat Commission, to be no different. A determination is expected in February 2002.

A baking customer in Malaysia

Inside and ahead



A new corporate environment at the CWB means new emphasis on accountability and strategic planning. This was a focus of great activity in our Winnipeg headquarters during 2000-01. A significant accomplishment was the creation of a new framework for strategic and long-term directives under the direct guidance of our farmer-controlled Board of Directors. Much attention has been directed to performance measures, transparency and openness – not only among our senior management, but among all employees of the CWB.

Opening doors

At our invitation, 17 staff from the federal Office of the Auditor General examined all aspects of CWB operations. The results of this special audit are expected early in 2002. Valuable suggestions for improvement are expected and the CWB welcomes the opportunity to learn from these recommendations. The point of this exercise is not only to improve operations, but to demonstrate the CWB's openness and accountability to Prairie farmers.

An eye to the future

An intensive strategic planning effort over the past year has clarified the four foundations to CWB business: farmers, customers, mandate and employees. All future plans will be viewed within the structured context of these key focus areas, with a top priority on strengthening the CWB's connection with farmers. Specific goals and initiatives within these areas will also provide a firm basis for ongoing performance measurement.

CWB values

Along with framing our four strategic focus areas, all CWB staff were consulted in the process of creating a new set of core values for the organization. These values describe the sort of organization we wish to be, guiding the actions of every CWB staff member. In a world of change, it is important that our behavior be aligned to strategic statements, goals and initiatives. The most vibrant organizations today are those that consciously create cultures based on defined values. The final set of core values was approved late in 2001.

The information age

An important internal initiative during the past year was the launch of an Information Technology (IT) Renewal project. Technology is essential for managing the complex exchange of information that is central to the business of the modern CWB. The IT Renewal project is designed to ensure our systems are appropriate and up-to-date, supported by the proper staff skills and directed by the core business needs of the organization.

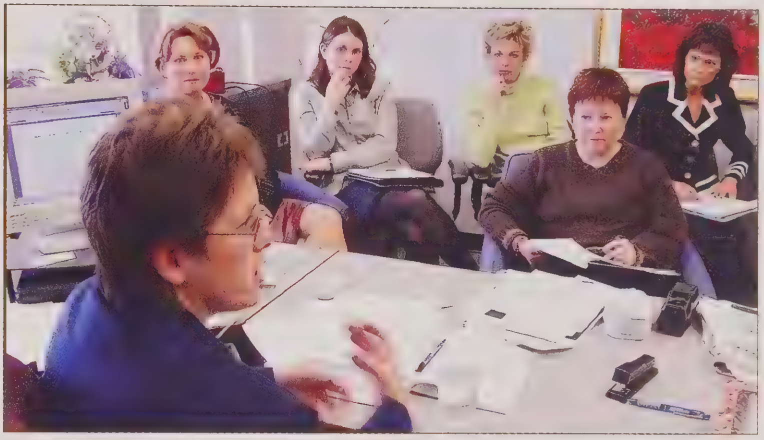
It is important to ensure that the investment of farmers' money into the necessary computer infrastructure continues to be conducted wisely. A new Vice President of Information Technology was hired in September 2001 to continue leading the department into a "new era".

Our strength is our people

The CWB has a diverse and highly-skilled workforce that is crucial to our success. Over the past two years, special efforts have been made to consult employees on many aspects of our changing work environment. In February 2001, results of an employee survey were presented to staff and an action plan was developed in response.

The CWB is also working on a broad scope plan for Human Resources that includes succession planning, training and change management. These initiatives are intended to help us move strongly forward to meet current and future corporate goals with confidence.

The CWB decided during the past year to revamp its employee pension plan. The new plan withdraws the CWB from the Public Service Superannuation Act to allow employees more flexibility and to give the CWB direct control over costs and administration of the pension plan.



What employees say

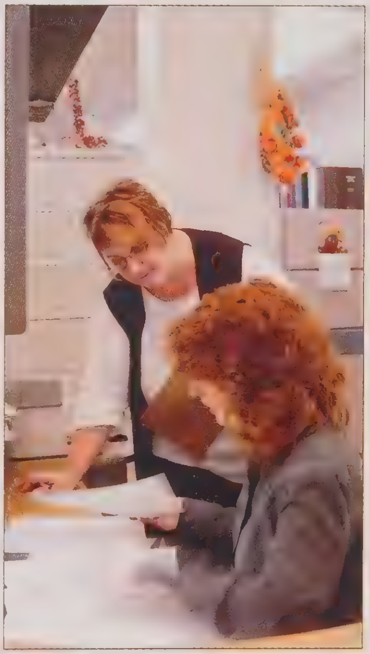
The following are some of the results of an employee survey conducted in September, 2000 to assess the organizational climate at the CWB and identify opportunities for improvement.

Strengths to build on:

- Overall level of satisfaction and commitment remained high, with 78% of respondents describing themselves as satisfied employees, while the majority were proud to work at the CWB. However, this response was 9% lower than in 1998.
- Respondents were generally confident in the direction of the CWB since the change in governance, with only 10% indicating a negative response.
- There were strong positive working relationships at the CWB.
- Respondents accepted that change will continue and 69% felt motivated to assist with change.
- Respondents understood how their work linked to business goals.

Priorities for action:

- A need was identified for greater teamwork among CWB leaders, with an emphasis on managing change.
- Internal communication was identified as an area for improvement.
- The Information Technology Services department was shown to require special attention in engaging employees as participants in review and renewal of their role.
- The workload of executive and management respondents was identified as a concern.
- There were compensation issues raised.



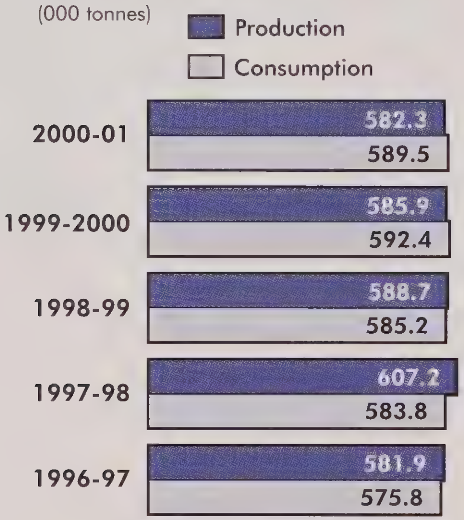
Management Discussion and Analysis

Working for farmer returns: Pool account performance

The 2000-01 crop year presented opportunities and obstacles. Tightening global supplies led to general improvement in wheat prices. Unfortunately, widespread harvest rains reduced the overall quality of a smaller Canadian wheat crop, making it difficult for many farmers to fully realize the price benefits. It also presented significant challenges in marketing the crop.

Global durum prices were stronger in 2000-01 than the previous year despite record Canadian supplies. Efforts were made to increase sales and expand market share to enhance farmer delivery opportunities without damaging global durum prices. This was a challenge that proved difficult in the wake of reduced import demand from other countries and strong competition from other exporters.

Global wheat supply and demand



Source: United States Department of Agriculture

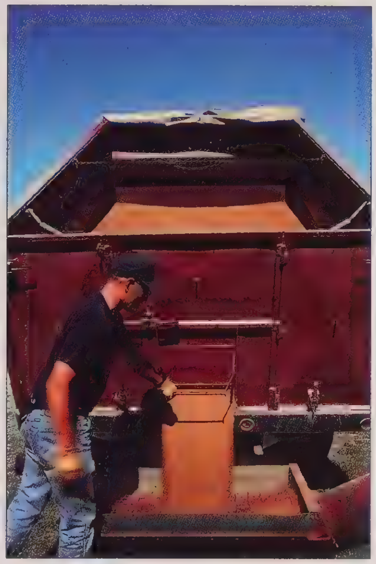
With a larger barley crop, supplies of feed barley increased, along with two-row and six-row malting barley. Feed barley supplies were secured under a new CWB guaranteed delivery program and were sold early in the crop year. Expanding market acceptance of relatively new two-row malting barley varieties proved successful, as did efforts to find new six-row markets to offset weak demand in the traditional markets.

Wheat, durum, feed barley and malting barley pool volumes were smaller than the previous year, which reduced total CWB sales revenue. However, the improvements in global prices partially offset the lower revenue caused by smaller volumes. As a result, the combined total sales revenue from the four pool accounts (wheat, durum, feed barley and designated barley) decreased by six per cent in 2000-01 to $4.2 billion dollars.* Total wheat, durum, feed barley and malting barley exports were 19 million tonnes, 104 per cent of our export forecast of 18.2 million tonnes, set in the fall of 2000.

Operating costs are divided into four components: direct costs; administrative expenses; grain industry organizations; and net interest earnings. An explanation of direct costs is included in the following discussion of each pool account. An explanation of the other three components can be found on pages 26-27. In addition, please refer to pages 45, 47 and 55 of the Financial Results.

*Note: the dates of the crop year differ from the dates of the pool account year. This may account for minor discrepancies between figures listed in the Annual Report narrative and the Financial Results.

The wheat pool



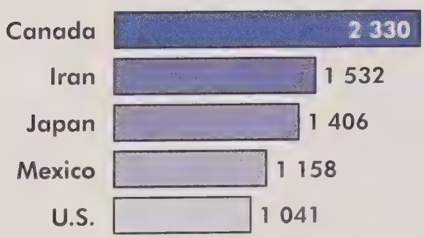
Wheat

	2000-2001	1999-2000
Tonnes	13 960 639	16 426 836
Average $ per tonne		
Revenue	195.97	183.68
Operating Costs		
Direct costs	5.98	4.54
Administrative expenses	3.26	2.70
Grain industry organizations	0.08	0.07
Net interest earnings	(4.18)	(3.27)
	5.14	4.04
Earnings for distribution	190.83	179.64

The crop

Early seeding was followed by cooler conditions in May and June. Heavy rainfall and normal temperatures followed in July and prevailed over much of the Prairie region. In southern Alberta, drought persisted throughout most of the growing season. Harvest started early in some parts of Manitoba as well as in southern Alberta. However, below-normal temperatures and high rainfall during most of September delayed harvesting in other regions. Common degrading factors of Canadian Western Red Spring (CWRS) wheat included sprouting, frost, green immature kernels, fusarium damage, mildew and bleached kernels.

Largest volume wheat customers
(000 tonnes) 2000-01



Sprout levels were much higher than normal and resulted in a significant portion of the crop being downgraded. Only 62 per cent of the CWRS wheat was graded No. 1 and No. 2, down from 65 per cent in 1999-2000 and from the five-year average of 71 per cent. Drought conditions in southern Alberta pushed overall average protein levels slightly higher than the previous year to 13.7 per cent – on par with the five-year average.

Western Canadian producers decreased their wheat acreage by about two per cent to 20.2 million acres in 2000-01. With reduced yields across southern Alberta and into western parts of Saskatchewan, wheat production fell to 19.5 million tonnes in 2000. This represents a decline of more than seven per cent relative to 1999, and two per cent relative to the five-year average.

The marketing environment

For the first time since 1995-96, global wheat prices started to recover. The prospect of tighter wheat stocks in the U.S. led this partial recovery in prices, supported by shrinking global wheat

The wheat pool

stocks, quality concerns in Canada and the European Union (EU), and a smaller crop in Australia. U.S. stocks, tightening for the first time since 1995-96, combined with unfavorable U.S. winter wheat planting conditions in the fall of 2000 to push world wheat prices higher. Gains were limited, however, in the face of several factors:

- near-record stocks being carried over from the previous year in major exporting countries;
- the introduction of new export competition from India and Pakistan;
- a near record U.S. corn crop; and
- weaker world import demand.

The strategy

As with every year, marketing choices in 2000-01 were based on the expected relative returns to the pool accounts. There were smaller carry-in stocks of high-grade milling wheat coming into the crop year and a significant portion of the new crop deliveries fell into the lower grades. That meant supplies of high-grade, high-protein wheat were considerably tighter than the previous year. Efforts were focused on identifying and preserving these grades in the system to meet the requirements of high-return markets throughout the crop year.

More competitive freight rates negotiated with the railways for shipments to the U.S. improved returns in this market relative to other offshore destinations. These lower rates, combined with a high degree of consistency in meeting customer specifications through the CWB's "Quality First" program helped expand our customer base in the U.S. and improve returns to farmers. Nearly all business to the U.S. is now directly contracted by the CWB.

These rail freight-rate improvements also improved relative returns from Latin American and Caribbean customers. New alliances and continuing efficiencies among Canadian, U.S. and Mexican railways have made the movement of grain by rail to the U.S. Gulf ports and Mexico more economically viable for the CWB. With these improved returns relative to other destinations, the CWB capitalized on this new opportunity by doubling direct rail shipments to customers in Mexico and to Gulf of Mexico ports.

In the past year, there were large supplies of wheat with low Falling Number (FN), characteristic associated with sprout damage that is undesirable for making bread. This presented a considerable threat to our reputation as a quality supplier – a problem that was not apparent in the new crop harvest sample survey. Given the difficulties inherent in visually distinguishing wheat with low FN in an efficient and economical way, identifying and segregating good quality grain was a real challenge.

To remedy the problem, the CWB worked with the Canadian Grain Commission and other industry players to develop a method for visually screening unloads at port for sprout damage. Requests were also made of the Western Grain Standards Committee to tighten grade specifications for sprouted wheat in the No. 2 and No. 3 grades of CWRS, beginning in the 2001-02 crop year. Once the sprouted grain was isolated, the CWB undertook an aggressive campaign to ensure FN sensitive customers received

only sound quality. The sprout-damaged grain was marketed as quickly as possible to other destinations. However, because of the large quantities, this campaign was carried into the 2001-02 crop year.

The deliveries

Delivery opportunities for farmers were evenly distributed throughout the crop year, as importers showed little desire to increase inventory levels beyond short-term requirements. About 40 per cent of the wheat signed up under contract was called into the system by December 31, 2001, which was similar to the previous crop year. Farmers delivered about 14 million tonnes to the pool, a decline of 15 per cent relative to the previous year. All tonnage signed up under the A, B, C and D series contracts was accepted by the CWB.

The results

Canada was the CWB's largest volume wheat market, purchasing just over 2.3 million tonnes – an increase over the 2.2 million tonnes purchased the previous year. Total exports (including products) for the 2000-01 crop year fell about 1.3 million tonnes in 2000-01 to 12.9 million tonnes, due to weaker global demand and a smaller exportable surplus.

Exports amounted to 110 per cent of the export forecast of 11.7 million tonnes, set in the fall of 2000.

Export shipments to Iran fell almost 1.8 million tonnes from the previous year to just over 1.5 million tonnes, but Iran maintained its place as the CWB's largest export market by volume. Iran, Japan, U.S. and Mexico accounted for approximately 40 per cent of the CWB exports in 2000-01, compared to 46 per cent in 1999-2000.

Revenue generated on wheat sales totaled over $2.7 billion, a decrease of $281 million relative to 1999-2000, or a decline of nine per cent. This was due to a smaller pool size and lower overall grade pattern relative to the previous year. However, with the improvement in global wheat prices, revenue averaged $196 per tonne, up seven per cent from the previous year's average, but still lower than the five-year average of $215 per tonne.

Direct costs

Direct costs increased $1.44 to $5.98 per tonne, primarily due to increases in demurrage and freight costs.

An aggressive sales campaign during the fall of 2000, weather delays in the Rockies and issues related to a new railcar allocation program introduced by the railways combined to drive up net demurrage costs to 36 cents per tonne from a net despatch or revenue position of 28 cents for 1999-2000.

Inadequate supplies of higher protein wheat in the western catchment area made it necessary to draw stocks out of the east to meet higher protein sales opportunities shipping from the west coast. As a result, additional freight to terminals increased by $4.5 million in total or 50 cents per tonne.

The increase in net eastern movement costs to a net cost of six cents per tonne related solely to a decrease in the Freight Adjustment Factor (FAF) recovery of $3 million to $42.9 million. The decrease was consistent with the decline in wheat in the eastern and U.S. catchment areas. The cost of moving wheat into eastern export position remained unchanged at $43.6 million in total.

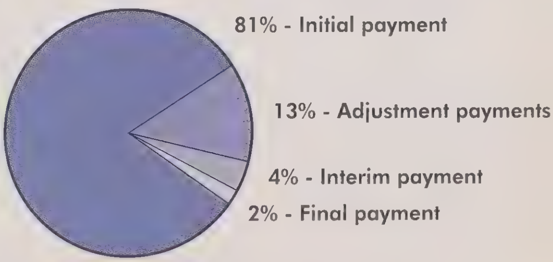
The combined costs of country and terminal inventory carrying charges remained consistent at $3.84 per tonne.

Distribution of earnings

The sales proceeds available for distribution, averaging $190.83, was down slightly from the prior year to 97 per cent of revenue. Of the amounts returned to pool participants, 94 per cent was distributed by the first week of July 2001 in the form of initial and adjustment payments.

Due to the introduction of producer payment options in 2000-01, which constitute a non-pool participating program, a portion of the earnings available for distribution was not returned directly to farmers. Just under $4.2 million, representing the pool return on the specific grades of wheat delivered to the wheat pool under the Fixed Price Contract/Basis Price Contract (FPC/BPC) program, was paid to the producer payment option program. (See page 28).

Earnings distributed to farmers
(wheat) 2000-01



The durum pool

Durum

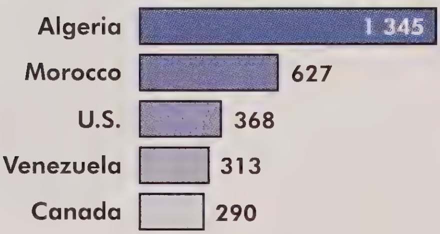
	2000-2001	1999-2000
Tonnes	3 665 343	3 975 734
Average $ per tonne		
Revenue	**264.61**	224.48
Operating Costs		
Direct costs	**22.84**	20.46
Administrative expenses	**3.26**	2.70
Grain industry organizations	**0.08**	0.07
Net interest earnings	**(2.21)**	(1.91)
	23.97	21.32
Earnings for distribution	**240.64**	203.16

The crop

Dry conditions in southern Alberta pushed average protein for all grades of Canada Western Amber Durum (CWAD) to 12.6 per cent. This was significantly higher than the 11.9 per cent average in 1999-2000 and the five-year average of 12.2 per cent. The overall grade pattern of the durum crop was lower than the previous year, with only 52 per cent grading No. 1 and No. 2 CWAD, lower than the five-year average of 66 per cent. Common degrading factors included vitreous kernel content, midge damage, smudge, mildew and fusarium. Harvest rains also resulted in significant quantities of sprout-damaged durum.

Strong durum prices in the previous year prompted a 48-per-cent increase in seeded durum acreage to 6.5 million acres. Although yields declined, production grew to 5.6 million tonnes – an increase of about 1.3 million tonnes over the previous year and almost 900 000 tonnes above the five-year average. When combined with 1.8 million tonnes carried over from the previous year, western Canadian durum supplies were pushed to a record high of 7.4 million tonnes. With world trade estimated at only 6.2 million tonnes, CWB acceptance of contracted sign-up was limited.

Largest volume durum customers
(000 tonnes) 2000-01



The marketing environment

Larger Canadian durum acreage in 2000 and an increase in harvested area in the U.S. pushed North American durum supplies above 1999-2000 levels. The EU also produced more durum. However, harvest rains in North America and Europe limited global availability of high-grade, high-protein milling durum supplies. While drought in North Africa reduced production and strengthened import demand in this region, reduced demand in the U.S. and the EU offset these gains. Despite increased Canadian supplies, strong export competition and weaker world import demand, both mid- and high-grade durum prices (which had fallen in anticipation of a good volume

and quality North American crop) more than recovered during the fall of 2000, surpassing those of the previous year.

The strategy

The CWB seeks to strike a balance between capturing all appropriate sales opportunities while obtaining reasonable prices. While customers were generally willing to pay well for top-quality supplies, demand for high- and medium-quality durum was relatively fixed. In 2000-01, global supply vastly outstripped demand. Canadian durum supplies alone exceeded the worldwide durum trade. Had it not been for a disastrous U.S. harvest that produced the lowest quality crop in history, higher-quality durum values and deliveries would have been much more depressed.

The deliveries

Because of large Canadian supplies and relatively fixed demand, durum delivery opportunities for producers were limited. Total farmer deliveries to the pool account decreased almost 310 000 tonnes to 3.7 million tonnes. The CWB accepted about three-quarters of the durum supplies for delivery during the 2000-01 crop year.

The results

With reduced global import demand and stiff competition, overall exports of Canadian durum fell by about 100 000 tonnes from the previous year to approximately 3.5 million tonnes. This represented 100 per cent of the CWB export forecast. Even with a slightly smaller export program, the CWB remained the top exporter of durum in the world with 55-per-cent market share in the global bulk durum trade, compared to 57 per cent the previous year. This was partly due to a slower Algerian import pace late in the crop year. However, Algeria imported more than 1.3 million tonnes of durum in 2000-01, accounting for 39 per cent of total Canadian exports. The CWB maintained about two-thirds of the Algerian market.

Expansion opportunities into major durum markets were limited, considering that Canada already accounted for 85 to 100 per cent of durum imports by Morocco, Venezuela, Chile and Peru. Exports to Italy fell in the wake of stiff competition from the U.S., Turkey and Australia. Exports to Morocco, our second-biggest customer, were up 33 per cent over the previous year to just over 600 000 tonnes. Algeria, the U.S., Venezuela and Morocco accounted for 77 per cent of CWB exports, compared to 73 per cent in 1999-2000. Canada retained its place as the CWB's fifth largest durum customer, taking just under 300 000 tonnes.

Revenue generated on durum sales totaled almost $1 billion, an increase of $77 million relative to 1999-2000, or an increase of nine per cent. This occurred in spite of a smaller pool size and a below-average grade pattern. Revenue averaged $265 per tonne – up 18 per cent from the previous year due to the strength of global durum prices, and above the five-year average of $255 per tonne.

Direct costs

Direct costs increased $2.39 to $22.84 per tonne, primarily due to increases in country carrying charges and freight costs. Large carry-over stocks, increased production and a slower sales pace combined to reduce inventory turnover in the country and increase the average volume of stocks-on-hand throughout the year. This resulted in a 24-per-cent increase in country carrying charges or 87 cents per tonne.

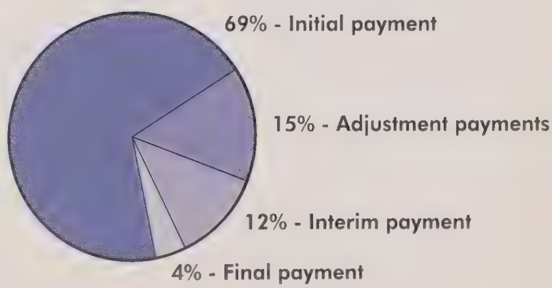
Inadequate supplies of high-quality durum in the east made it necessary to draw stocks out of Alberta and Saskatchewan to meet East Coast sales opportunities. The result was a substantially higher level of cross hauling compared to 1999-2000, resulting in an increase to adverse freight of $2.6 million in total or 75 cents per tonne.

A greater volume of durum moving through the East Coast and a significant decrease in the Thunder Bay FAF recovery rate combined to increase eastern movement costs by 60 cents to $15.16 per tonne. A freight-rate increase on August 1, 2001, compared to a rate decrease at the same time the previous year, resulted in a 23 cent per-tonne variation to a net cost of 10 cents per tonne for freight incurred from freight-rate changes.

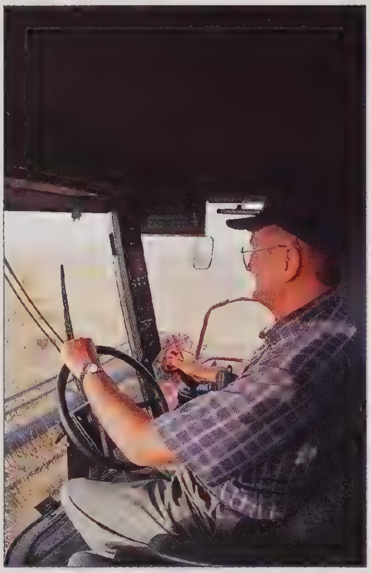
Earnings distributed to producers

The percentage of sales proceeds returned to producers remained consistent with the previous year at 91 per cent of revenue. Of the amount distributed to farmers, 84 per cent had been distributed by the first week of July 2001 in the form of initial and adjustment payments. A significant proportion of durum receipts remained unsold late into the crop year, preventing an earlier distribution of proceeds.

Earnings distributed to farmers
(durum) 2000-01



The feed barley pool



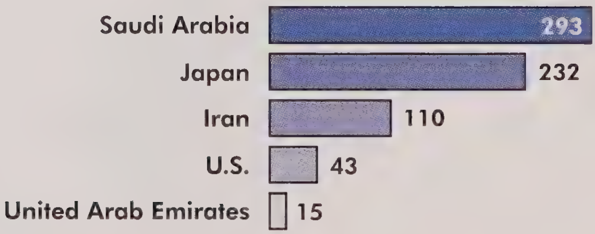
Barley

	2000-2001	1999-2000
Tonnes	**454 073**	671 703
Average $ per tonne		
Revenue	**139.13**	134.38
Operating Costs		
Direct costs	**8.26**	4.62
Administrative expenses	**3.32**	2.70
Grain industry organizations	**0.08**	0.07
Net interest earnings	**(14.11)**	(7.90)
	(2.45)	(0.51)
Earnings for distribution	**141.58**	134.89

The crop

The area seeded to barley in Western Canada increased 17 per cent in 2000 from the previous year to 11.8 million acres. This increase in area was partially offset by a reduction in yields, particularly in Alberta where dry conditions prevailed throughout most of the growing season. As a result, western Canadian barley production climbed about 0.3 million tonnes higher than the previous year to a total of 12.6 million tonnes. The larger barley crop (approximately 35 per cent of which were feed and hulless varieties) combined with wet harvest conditions in some of the later-seeded areas to produce generally adequate feed barley supplies.

Largest volume feed barley customers (000 tonnes) 2000-01



The marketing environment

The potential for feed barley export prices to improve was limited early in the year due to increased barley supplies in Canada, Australia and the U.S. In the EU, however, smaller supplies and increased domestic demand resulted in a sharp reduction in EU export volume, along with EU use of export subsidies. This helped global feed barley prices work their way higher through January before almost completely retreating to levels seen at the beginning of the year. Global barley trade in 2000-01 fell slightly compared to the previous year, as feed barley import demand generally weakened due to increased production in the Middle East.

The strategy

In order to secure supplies early in the crop year, the CWB announced a new program called the Guaranteed Delivery Contract with Early Payment Option (GDCEPO) program. Faced with a slow EU export program that could have picked up at any time and the prospect of a larger crop in Australia, sales were made early. This was designed to take advantage of relatively firm global

prices and to move more barley early in the crop year to improve cash flow for producers. Early knowledge of our supply situation, due to a September sign-up deadline for farmers, allowed the CWB to capture stronger offshore values for a number of barley producers in relation to their domestic alternative.

The deliveries

The CWB accepted all feed barley contract tonnage signed up under the GDCEPO as well as 100 per cent of the tonnes signed up under the A, B, C and D series contracts. The feed barley delivered under the GDCEPO was moved prior to December 31, 2000. In total, farmer deliveries to the feed barley pool account decreased 218 000 tonnes over the previous year, to 454 000 tonnes, largely because of strong domestic prices late in the crop year which limited contract sign-up, particularly on the C and D series.

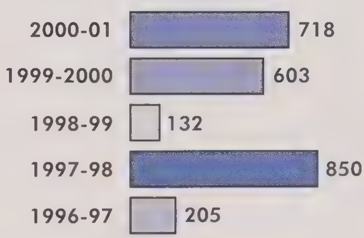
The results

Feed barley exports totaled 693 000 tonnes, up slightly from the previous year, and included both commercial carry-over and farmer deliveries. This total represented only 69 per cent of our forecast set in the fall of 2000. The target shortfall was due, in part, to a strong domestic market. Dry soil conditions, which continued to plague southern Alberta and southwestern Saskatchewan through the spring and summer of 2001, also played a role as producers held back barley supplies.

The CWB's largest-volume feed barley customer was Saudi Arabia, which purchased almost 300 000 tonnes – double the previous year. Japan was the second largest customer for feed barley, purchasing just over 230 000 tonnes. This was down from the 340 000 tonnes shipped the previous year, largely due to limited supplies in the last half of the crop year. Western Canadian feed barley was also exported to Iran, the United Arab Emirates and the U.S.

Revenue generated from feed barley sales totaled $63 million, down $27 million relative to 1999-2000. Improved prices did not make up for a smaller pool size compared to the previous year. Revenue averaged $139 per tonne, up four per cent from the previous year but lower than the five-year average of $153 per tonne.

Total Canadian feed barley exports (000 tonnes)



Direct costs

Direct costs increased $3.64 to $8.26 per tonne, primarily due to a significant increase in net demurrage costs.

A large portion of barley sales were executed during the fall, coinciding with rail shipment problems caused by a new railcar allocation program introduced by the railways. As a consequence, vessels were left waiting at port until adequate volumes arrived at terminal position, resulting in a substantial amount of net demurrage totaling $1.8 million or $3.88 per tonne.

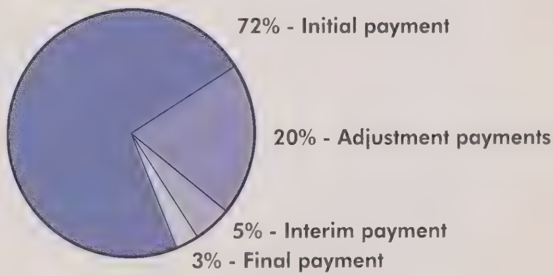
The combined results of inventory carrying charges for both the country and terminal remained consistent, showing a net increase of only five cents per tonne. Adverse freight costs declined to four cents per tonne due to the non-utilization of Prince Rupert for West Coast shipments.

Earnings distributed to producers

The barley pool returned $141.58 per tonne to producers, representing a return greater than 100 per cent of sales value. The majority of net interest earnings in the feed barley pool was earned from credit receivables, which do not fluctuate with pool size. During years when the number of tonnes in the pool account is small, the interest earned on a per-tonne basis can be substantial, and can even exceed all other operating costs. For the 2000-01 crop year, net interest revenue exceeded the other operating costs by $2.45 per tonne.

Of the amount distributed to farmers, 92 per cent had been distributed by the first week of July 2001 in the form of initial and adjustment payments.

Earnings distributed to farmers (feed barley) 2000-01



The malting barley pool

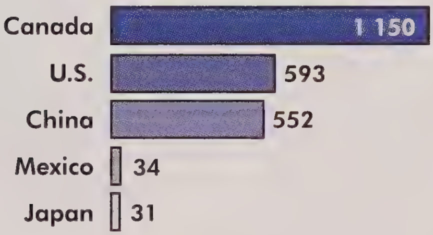
Designated Barley

	2000-2001	1999-2000
Tonnes	2 273 488	2 554 577
Average $ per tonne		
Revenue	**201.75**	188.85
Operating Costs		
Direct costs	**2.81**	2.11
Administrative expenses	**3.26**	2.70
Grain industry organizations	**0.11**	0.07
Net interest earnings	**(1.03)**	(1.72)
	5.15	3.16
Earnings for distribution	**196.60**	185.69

The crop

An estimated 65 per cent of the barley area in Western Canada was seeded to malting barley varieties in 2000. Of this, about two thirds was seeded to two-row malting barley varieties, with the other third seeded to six-row varieties. Despite a slightly larger barley crop, the dryness in southern Alberta limited selectable supplies of two-row, while the presence of fusarium in parts of Manitoba limited the selectable supplies of six-row malting barley. A larger percentage of the crop was downgraded due to staining, placing a larger portion of the selected supplies in the standard select grade.

Largest volume malting barley customers (000 tonnes) 2000-01



The marketing environment

Record malting barley import demand kept two-row malting barley prices fairly firm in 2000-01 despite significant global malting barley supplies. Increased exportable two-row malting barley supplies in the EU were absorbed by stronger demand in Eastern Europe, leaving larger exportable supplies from Canada and Australia to compete for near-record Chinese demand. Although the available U.S. six-row malting supply was limited by fusarium, the demand for Canadian six-row supplies remained fairly flat. U.S. six-row prices drifted sideways or lower as U.S. maltsters drew down stocks. On the other hand, U.S. demand for Canadian two-row malting barley was slightly higher due to a drought-reduced crop in Montana.

The strategy

With most two-row importers buying only enough to meet short-term requirements, sales were spread fairly evenly through the crop year. This was positive for returns as prices gradually improved over the course of the crop

year. Significant efforts were also made in marketing new varieties such as AC Metcalfe, AC Kendall and CDC Stratus. With slow U.S. six-row demand, other marketing opportunities were pursued in order to increase six-row movement. These refocused efforts resulted in the first-ever sale of six-row malting barley to China.

The deliveries

While two-row deliveries were spread fairly evenly throughout the year, six-row did not move until later. In total, farmers' deliveries to the designated barley pool account decreased by about 281 000 tonnes over the previous year to 2.3 million tonnes.

The results

Total exports of malt (grain equivalent) and malting barley climbed about 50 000 tonnes over the previous year to 1.9 million tonnes. However, with weak U.S. demand for six-row malting barley, the CWB reached only 96 per cent of its export forecast set in the fall of 2000. The CWB's largest volume malting barley customer in 2000-01 was Canada, purchasing almost 1.2 million tonnes for both domestic and export malt sales – unchanged from the previous year. With strong two-row demand in the U.S., total exports to this country edged slightly higher, to just over 593 000 tonnes. The U.S. retained its spot as our largest export customer. China was our second largest export market in 2000-01, taking more than 550 000 tonnes, up 100 000 tonnes from 1999-2000.

Revenue generated on malting barley sales totaled $459 million, down $24 million relative to 1999-2000, or a decrease of five per cent. This was due to improved two-row prices, which largely offset a smaller pool size. Revenue totaled $202 per tonne, up seven per cent from 1999-2000 and slightly lower than the five-year average of $204 per tonne.

The Canadian Malting Barley Technical Centre

The new Canadian Malting Barley Technical Centre (CMBTC) is designed to expand market share for western Canadian malt and malting barley.

The Canadian Wheat Board has been one of the main supporters of the CMBTC since the concept was first discussed, providing approximately $1 million for capital and start-up investment. The CWB's senior barley program manager, Michael Brophy, is chair of the CMBTC Board of Directors.

The CMBTC was legally incorporated in May 2000, and is located in the same Winnipeg building that houses the Canadian Grain Commission and the Canadian International Grains Institute. It includes a 100-kilogram pilot malting plant and three hectolitre pilot brewery. Domestic and international customers can use the services of the centre's skilled staff and technology. The CMBTC will also support development, commercialization and marketing of new Canadian malting barley varieties.

Direct costs

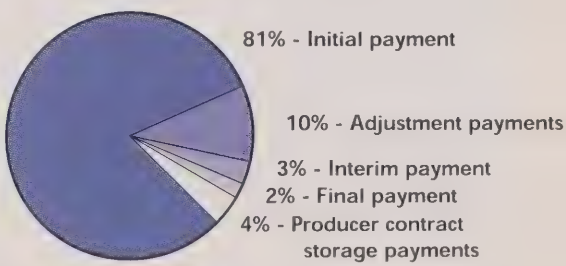
Direct costs increased 70 cents to $2.81 per tonne, primarily due to a 71 cent increase in country carrying charges. Country elevator financing showed a 32 cent per-tonne increase due to the inclusion in 1999-2000 of recovery of an over-payment of carrying charges. Slower inventory turnover in the country due to selection delays and dormancy problems resulted in a 42 cent increase in country storage costs.

During the previous crop year, the CWB had booked a liability for potential terminal storage costs related to a disputed shipment held at a third party facility. Upon settlement of the issue during 2000-01, the proportion of the storage charges accepted by the CWB was less than anticipated, resulting in a recovery and a net income balance of eight cents per tonne.

Earnings distributed to producers

The percentage of earnings returned to producers was down slightly to 97 per cent when compared with the previous year. Of the amount distributed to farmers, 91 per cent had been distributed by the first week of July 2001 in the form of initial and adjustment payments.

Earnings distributed to farmers
(malting barley) 2000-01



Operating costs

The four components of operating costs are direct costs, administrative expenses, grain industry organizations and net interest earnings.

Direct costs
Direct costs have been explained in each pool account discussion. See also pages 38-42 of the Financial Results.

Administrative expenses
Administrative expenses for the 2000-01 crop year were budgeted at $65.95 million, representing a three per cent increase over the prior year's actual expense. Actual expenses for the current year totaled $65.89 million, falling just short of the budgeted amount. See page 45 of the Financial Results.

The increase in administrative expense can be attributed to:

- An increase in human resource costs due to a mandated change to accounting policies for post-employment benefits and an imposed increase in the employer contribution rate for the PSSA pension plan;
- A major financial systems upgrade;
- External consulting requirements surrounding a review of the PSSA plan, transportation issues and internal information technology delivery methods;
- The introduction of a program to solicit accurate farmer views (FarmCall); and
- Expenses related to Director elections.

These increases were offset by savings from a decreased usage of computer contractors and a reduction of depreciation expenses resulting from the deferral of several major projects. In addition, one-time reorganization expenses were incurred in 1999-2000. These were related primarily to implementation of an early retirement program. Also of note, costs associated with the trade challenge launched by the North Dakota Wheat Commission carried over into 2000-01. A determination on this challenge is expected in February 2002.

With the exception of a small amount of pool related costs charged directly to a specific pool, administrative expenses are allocated to the pools based on their respective receipt tonnes. Incremental costs associated with producer payment option programs are charged directly to the related program and are excluded from the amount allocated to the pools. See note 18, page 55.

Grain industry organizations
The CWB has continued to provide support for organizations that benefit, both directly and indirectly, the western Canadian grain farmer. During 2000-01, the CWB contributed $1.57 million to the Canadian International Grains Institute (CIGI) and $85,000 to the Canadian Malting Barley Technical Centre (CMBTC).

CIGI is a non-profit facility dedicated to providing educational programs and technical activities in support of market development and promotion of world markets for Canada's grains, oilseeds and special crops. CIGI operates in affiliation with the CWB, the Canadian Grain Commission and Agriculture & Agri-Food Canada. The CWB's contribution represents 40 per cent of CIGI's eligible operating costs. The CMBTC is a new organization established in 2001 to promote Canadian malting barley with the objective of increasing

sales opportunities for its members. The CWB's ongoing support consists primarily of our annual membership fee.

Net interest earnings

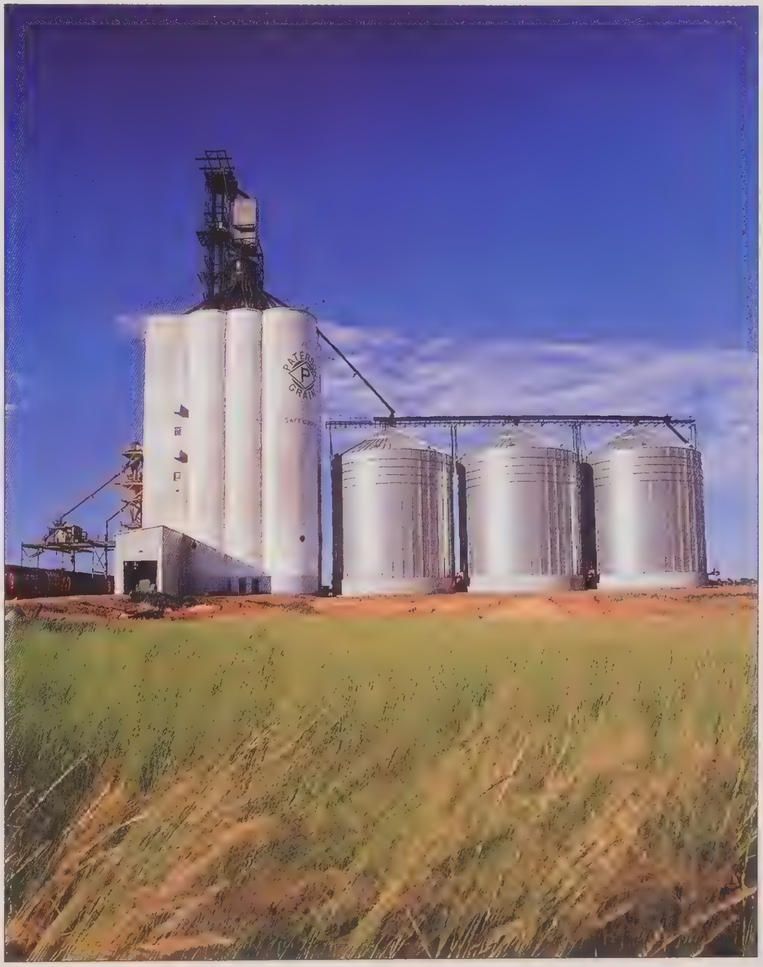
Net interest earnings which were more than $75 million in 2000-01, arise primarily from financing credit grain sales. When the CWB sells grain on credit, the CWB must borrow an equal amount to facilitate payments to farmers and conduct ongoing operations. With the CWB's borrowing power, it is able to borrow at a lower rate of interest than the rate extended to the credit customer. As a result, the CWB benefits from this "spread" in interest rates, in the form of excess interest revenue over interest expense.

During periods of falling interest rates, as was the case during 2000-01, the interest spread will tend to widen, resulting in increased interest earnings. This is because credit receivables are typically longer in term and can be locked in at comparatively higher rates. In contrast, borrowings typically have shorter terms and are refinanced at the lower rates.

Other interest unrelated to credit sales includes interest earned on the cash balances that build up in the pool accounts during the crop year, interest earned on delayed receipts of sales proceeds on non-credit sales and costs such as financing and bank charges. Declining interest rates and smaller pool sizes are primary reasons for the decrease in net interest for this category.

	2000-2001	1999-2000
Net interest income on:		
Credit sales	**$ 70,502,008**	$ 61,293,145
Pool accounts & other	**4,718,194**	9,679,195
Total Net Interest	**$ 75,220,202**	$ 70,972,340

Net interest earnings go directly into the pool accounts and are paid as part of the distributions to producers.



Greater pricing flexibility: Producer Payme

During the 2000-01 crop year, a fundamental change occurred in the way the CWB conducts business with farmers who want choice in the way they price and receive payment for their grain.

Responding to farmer concerns, the CWB introduced two producer payment option programs – the Fixed Price Contract/Basis Price Contract (FPC/BPC) and the Guaranteed Delivery Contract with Early Payment Option (GDCEPO). These provide farmers with greater pricing flexibility and ability to manage their cash flow, while still allowing the CWB to retain the principles of single-desk marketing and price pooling.

Research conducted during 1999 indicated farmers wanted flexibility over payment timing and pricing, with two out of three farmers expressing interest in such programs. The arrival of CWB payment options, however, does not signal the abandonment of price pooling. At this time, a majority of farmers still wish to receive payments under the current system.

In any case, the clear message was that any new program must operate separately and independently from the pool accounts. This is, and will continue to be, a significant element in the design of all such programs. Further, a contingency fund has been established to underwrite the programs to ensure that program operating gains or losses will not impact the pool accounts. Program enrolment is expected to fluctuate widely from year to year, depending on factors like crop size, market conditions, prices and farmer confidence.

Fixed Price Contract/Basis Price Contract (FPC/BPC)

A FPC/BPC pilot program was introduced for the 2000-01 crop year for Canada Western Red Spring (CWRS) wheat only. The program provided farmers the option to lock in a price for a specified number of tonnes prior to the start of the crop year in one of two ways: by choosing a fixed price contract and basing it on the CWB Pool Return Outlook (PRO); or choosing a basis price contract that uses the Minneapolis futures market.

During 2000-01, farmers delivered 21 138 tonnes under the FPC/BPC program and received $4 million, or an average of $190.51 per tonne, under contracted arrangements (see page 43 of the Financial Statements). Once the tonnes are delivered to the CWB for selling purposes, there is no segregation between deliveries made as a pool participant or those made under the FPC/BPC program. Because the farmer has opted out of the pool in this program, all pool returns (initial, adjustment, interim and final payments) that otherwise would have been paid to the farmer under the pool scenario for the specific grades delivered, are instead paid to the program.

During 2000-01, this amounted to just under $4.2 million, or an average of $196.95 per tonne.

It should be noted that the grade mix delivered to the CWB under the FPC/BPC program is different than the overall grade mix delivered to the wheat pool as a whole. Therefore, while all of the tonnes delivered to the wheat pool (including those delivered under FPC/BPC) show an average

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return after operating costs of $190.83, the specific tonnes delivered under the program averaged $196.95 (see page 43 of the Financial Statements).

With other program revenues, including hedging gains, liquidated damages and program expenses (including interest and administrative expenses), the program showed a surplus of $127,163. The surplus was transferred to the contingency fund at year end (see Financial Statement Note 14, page 52).

Guaranteed Delivery Contract (GDC) with Early Payment Option (EPO)
For 2000-01, the GDCEPO program was introduced for barley. This provided the farmer with a guaranteed delivery opportunity and the additional option of receiving immediate payment, upon delivery, of 90 per cent of the PRO, less a discount. Because farmers do not opt out of the pool under this program, they are still eligible to receive all future pool payments that exceed the non-discounted value selected above.

Of the 282 000 tonnes delivered under the program during 2000-01, 191 253 tonnes were designated as EPO (see page 43 of the Financial Statements). The EPO discount charged to farmers, for non-delivery risk and the time value of money, averaged $2.08 per tonne for a total of $398,487. With liquidated damages charged for non-delivery and program expenses, including hedging losses and interest, the program showed a surplus of $217,960. The surplus was transferred to the contingency fund at year end (see Financial Statement Note 14).

Program	Sign-in for 2000-01 crop year	Program characteristics
Fixed price contracts	86 contracts from 76 farmers (7397 tonnes)	Full payment provides earlier cash flow. Farmer not eligible for other pool account payments.
Basis price contracts	129 contracts from 115 farmers (22 345 tonnes)	Opportunity to participate in Minneapolis futures market. Rollover option available. Farmer not eligible for other pool account payments.
GDC for feed barley	2,286 contracts from 2,004 farmers (296 626 tonnes)	Farmer can choose between early payment value and regular pool payment method. Farmers remain in the pool account.

Credit sales

Credit sales during the year

In thousands	2000-2001 Sales	% of Total Sales	1999-2000 Sales	% of Total Sales
Credit sales				
Credit Grain Sales Program	**$ 222,463**	5.2	$ 371,671	8.3
Agri-food Credit Facility	**159,431**	3.8	145,868	3.2
Other	**139,184**	3.3	185,798	4.1
Total credit sales	**521,078**	12.3	703,337	15.6
Total sales	**$ 4,227,675**	100.0	$ 4,482,438	100.0

Credit programs

To support the sale of western Canadian grain, the Government of Canada provides repayment guarantees. Acting within credit limits and terms approved by the federal government, the CWB works with individual customers and commercial banks on a case-by-case basis to structure credit facilities to meet customer needs. These credit arrangements can be an important factor in many foreign markets. During 2000-01, credit sales totaled $521.1 million, representing 12.3 per cent of total sales, compared to $703.3 million, or 15.6 per cent, of sales in the previous year.

The CWB uses the following programs to offer credit on commercial terms.

Credit Grain Sales Program

The Credit Grain Sales Program (CGSP) allows the CWB to sell grain on credit to customers who can provide a sovereign guarantee of repayment from their central bank or ministry of finance. The Government of Canada, in consultation with the CWB, establishes country eligibility and individual country credit ceilings for this program on an annual basis. Repayment terms cannot exceed 36 months from time of shipment, and commercial rates of interest are charged. During the year ended July 31, 2001, $222.5 million of grain was sold under the CGSP program compared to $371.7 million the previous year.

The balance receivable at July 31, 2001 was $7.1 billion. Of this amount, $6 billion represented receivables for which payments of principal and interest had been rescheduled over periods ranging from five to 25 years under terms agreed to by the Government of Canada. Included in the rescheduled amount was $53.9 million to be paid to the CWB by the government of Canada under debt-reduction arrangements, where the Government had assumed certain amounts that otherwise would have been paid by the debtor government.

Overdue amounts of $828.1 million are due from Iraq, with payments for credit sales still outstanding at July 31, 2001. Iraq is not currently honoring its payment obligations because of United Nations sanctions.

Since the Government of Canada guarantees repayment of 100 per cent of the principal and interest of the CGSP receivables, the CWB makes no

allowance for credit losses (see Note 3, page 47 for more information).

Agri-food Credit Facility
The Agri-food Credit Facility (ACF) allows the CWB to sell grain, either directly or through accredited exporters, on credit to commercial (non-government) customers around the world. The Government of Canada, together with the CWB, evaluates each transaction on an individual basis. During the year ended July 31, 2001, $159.4 million of grain was sold under the ACF program, compared to $145.9 million for the previous year.

The balance receivable at July 31, 2001 from sales made under this program to date was $85 million. The Government of Canada guarantees a declining percentage of the receivables under this program based on the repayment period, with the CWB assuming the residual risk that is not guaranteed. The portion of credit risk assumed by the CWB under this program at July 31, 2001 was $1.7 million. This is considered collectable, therefore there was no allowance for credit losses (see Note 3, page 47).

Other
From time to time, Canadian commercial banks participate in providing credit through the CWB under the above programs. In these cases, the CWB receives payment for the bank's portion of the credit transaction. The bank then assumes the risk of non-payment by the customer on their portion of the credit extended, without recourse to the CWB. During the year ended July 31, 2001, credit provided by banks under these arrangements totaled $139.2 million, compared to $185.8 million the previous year.

Summary
The CWB's accounts receivable from credit sales totaled $7,179 million for 2000-01 (see Note 3, page 47). Of this amount, $7,177 million was guaranteed by the Government of Canada and $1.7 million was credit risk assumed by the CWB.

Funding

The Canadian Wheat Board is committed to minimizing borrowing costs and maintaining access to money through exploring new borrowing opportunities, as well as expanding and diversifying its investor base.

Under the Canadian Wheat Board Act, and with the approval of the federal Minister of Finance, the CWB is empowered to borrow money by any means, including the issuing, re-issuing, selling and pledging of bonds, debentures, notes and other evidences of indebtedness.

All borrowings of the Corporation are unconditionally and irrevocably guaranteed by the Minister of Finance, resulting in the top credit ratings from Moody's Investor Service (Aa1 and P-1), Standard and Poor's Ratings Group (AAA, A1+ and AA+) and Dominion Bond Rating Service (AAA, R-1H and AAH).

The CWB borrows money to finance grain inventories, accounts receivable from credit sales, administrative and operating expenses and to administer the Government of Canada's advance payment programs. The CWB borrows in a variety of currencies, but eliminates currency risk by converting borrowings into either Canadian or U.S. dollars to match the assets being financed.

The CWB manages multiple debt portfolios totaling $7 billion to $8 billion Canadian. These include:

- Domestic Commercial Paper Program (the "Wheat Board Note" program);
- U.S. Commercial Paper Program;
- Euro Commercial Paper Program; and
- Euro Medium-Term Note Program.

Financial risk management

The CWB seeks to minimize risks related to the financial operations of the corporation. The CWB analyzes, manages, reports and controls exposures to financial risks and ensures adherence to approved corporate policies and risk-management guidelines.

Market risk

Market risk is the risk to the CWB's financial condition resulting from adverse movements in the level or volatility of market prices. The CWB is exposed to market risk in the areas of commodity price, foreign exchange and interest rates.

Commodity price risk

Commodity price risk is the risk of reduced revenue for the CWB resulting from adverse changes in commodity prices. Commodity price risk is inherent in the CWB's core business operations. The CWB uses exchange-traded futures and options to assist in pricing grain sales.

One of the CWB's major commodity risk management programs involves managing the price risk associated with customer basis contracts. The CWB manages the risk of an adverse movement in the price of grain between the time the grain is sold and when the customer prices by using regulated commodity exchanges. The CWB may also use futures contracts to price grain when there is insufficient opportunity to do so in the physical market. In addition, the CWB manages all commodity price risks as they relate to various pricing options offered to Prairie farmers.

Foreign exchange risk

Foreign exchange risk is the exposure to adverse changes in foreign exchange rates that negatively affect Canadian dollar returns to the CWB. Sales made by the CWB are priced either directly or indirectly in U.S. dollars, resulting in exposure to foreign exchange risk.

To manage foreign exchange risk, the CWB hedges foreign currency sales values using derivative contracts to protect the expected Canadian dollar proceeds on sales contracts. In addition, the CWB manages all foreign exchange risks as they relate to various pricing options offered to Prairie farmers.

Interest rate risk

Interest rate risk is the exposure to negative fluctuations in the CWB's net interest earnings from adverse changes in market interest rates. The CWB's interest rate risk arises from the mismatch in interest rate term and re-pricing dates on the CWB's interest earning assets and interest paying liabilities. The spread between the interest earning assets and interest paying liabilities results in net interest earnings, which are paid to farmers annually. These earnings are clearly noted in the annual financial results.

The CWB manages its interest rate risk to ensure interest earnings for the CWB's producers are maintained.

Credit risk

Credit risk is the risk of potential loss should a counterparty fail to meet its contractual obligations. The CWB is exposed to credit risk on non-guaranteed accounts receivable from credit sales, as well as credit risk on investments and derivative transactions used to manage the CWB's market risks.

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Accounts receivable from credit sales

The CWB sells grain under two government-guaranteed export credit programs: the Credit Grain Sales Program (CGSP) and the Agri-food Credit Facility (ACF). The CWB's accounts receivable from credit sales totaled $7,179 million in 2000-01. Of this amount, $7,177 million was guaranteed by the Government of Canada and $1.7 million was credit risk assumed by the CWB. There have been no ACF defaults to date and there are no outstanding ACF balances that are overdue. For more information on credit sales, see the "Credit sales" section on page 30 and Note 3 on page 47.

Investments

The CWB uses investments for the purpose of cash management, adhering to requirements of the Canadian Wheat Board Act, the CWB's annual borrowing authority granted by the Minister of Finance and applicable government guidelines. The CWB manages credit risk of investments by transacting only with highly rated counter parties.

Derivative transactions

The CWB signs master agreements in advance of over-the-counter derivative transactions to minimize credit risk, legal risk and settlement risk. The CWB transacts only with highly rated counter parties who meet the requirements of our financial risk management policies. These policies meet or exceed the Minister of Finance's credit policy guidelines.

The CWB manages its credit risk on futures contracts by dealing through exchanges where changes in market position are settled on a daily basis.

Liquidity risk

Liquidity risk is the risk that the CWB will be unable to meet its corporate obligations. In the normal course of operations, the CWB's diversified funding programs provide sufficient liquidity to meet daily cash requirements. The CWB may hold highly rated short-term investments to ensure that sufficient funds are available to meet debt obligations. Sufficient lines of credit are also maintained with financial institutions to provide additional access to funds.

Operational risk

Operational risk is the CWB's risk of loss resulting from a breakdown in administrative procedures and controls or any aspect of operating procedures. The CWB's operational risk management philosophy encourages an environment of effective operational risk discipline.

Operational risk management activities include segregation of duties, cross-training and professional development, disaster recovery planning, use of an integrated financial system, internal and external audits and an independent risk-control and reporting function.

Outlook

As the dynamics of the global agriculture environment evolve, the CWB will continue to look for ways to improve returns to growers. While the future is impossible to predict, it is clear there are several areas that will provide us with opportunities and challenges in the years to come.

In the short term, drought conditions through many parts of Alberta and Saskatchewan have hurt yields, resulting in sharply lower production of wheat, durum and barley for the 2001-02 crop year. A significant increase in high-grade, high-protein wheat supplies will mean changes to some of the CWB's traditional customer mix. The improved grade pattern, combined with steady-to-firmer prices, should help offset revenue reductions caused by lower production.

In the durum market, large stocks carried into the 2001-02 crop year were offset by sharply lower production. Smaller durum supplies should prove more positive for off-farm durum movement in the upcoming year. With prices expected to remain fairly strong, pool revenues should follow. A dramatic reduction in barley production has resulted in a very strong domestic feed market, which will limit export availability of feed barley. Although malting barley prices are expected to remain firm, lower production and a strong domestic feed market have limited supplies. With the smaller crop, sales revenue in 2001-02 is expected to be lower.

In the longer term, population growth and rising incomes worldwide will underpin increasing demand for high-quality grain. This will help ensure an outlet for western Canadian wheat, durum and barley in the coming years. Countries in Asia, the Middle East, Africa and Latin America are expected to experience the largest growth in population. Although the growth rate of gross domestic product in many countries is shrinking due to tough economic times, the demand for western Canadian grain is expected to remain strong in the long term.

Agricultural production increases will continue as a result of large levels of domestic support in the EU and the U.S., improving agronomic practices (particularly in developing countries) and the worldwide development of new, better yielding varieties. Minor exporters are becoming increasingly important in the global trade environment as their exportable supplies become more stable. The infrastructure for trade and agriculture continue to improve in countries such as Ukraine, Kazakhstan, Russia, Hungary, India and Pakistan. The CWB will continue to focus efforts on developing product value in existing and new high-return markets.

In the global trade environment, the World Trade Organization (WTO) agreed in November 2001 at Doha, Qatar to enter a new round of agricultural talks - for the first time since the Uruguay Round agreements reached in 1994. This new Doha Round will be critical in addressing domestic support levels, export subsidies, market promotion and market access issues. There is hope for the creation of a more level playing field for producers around the globe. The entry of China into the WTO in December 2001 bodes well for Canadian farmers due to Chinese emphasis on high-quality grain imports. On a contrary note, the influence of protectionist forces within the U.S. may well present ongoing challenges for the CWB.

As customers become more price-sensitive, quality-specific and service-oriented, CWB market development initiatives will play a crucial role. The CWB will continue to work with the rest of the Canadian grain industry in developing new varieties and new methods to maintain the quality and integrity of western Canadian products.

Forward-looking information

Certain forward-looking statements contained in this annual report are subject to risk and uncertainty because they rely on assumptions and estimates based on current information. A number of factors could cause actual results to differ from those expressed, including, but not limited to: weather; changes in government policy and regulations; world agricultural commodity prices and markets; changes in competitive forces; and global political/economic conditions, including grain subsidy actions of the U.S. and the EU.

Financial results

Management's responsibility for financial reporting

The financial statements of the Canadian Wheat Board included in this Annual Report are the responsibility of the Corporation's management and have been reviewed and approved by the Board of Directors. Management is also responsible for all other information in the Annual Report and for ensuring that this information is consistent, where appropriate, with the information contained in the financial statements.

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles appropriate in the circumstances and reflect the results for the 2000-01 pool accounts, producer payment options and the financial status of the Corporation at July 31, 2001.

In discharging its responsibility for the integrity and fairness of the financial statements, management maintains financial and management control systems and practices designed to provide reasonable assurance that transactions are authorized, assets are safeguarded and proper records are maintained. The system of internal control is augmented by an internal audit department that conducts periodic reviews of different aspects of the Corporation's operations.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Board of Directors exercises this responsibility through the Audit and Finance Committee of the Board, which is composed of Directors who are not employees of the Corporation. The Audit and Finance Committee meets with management, the internal auditors and the external auditors on a regular basis, and the external and internal auditors have full and free access to the Audit and Finance Committee.

The Corporation's external auditors, Deloitte & Touche LLP, are responsible for auditing the transactions and financial statements of the Corporation and for issuing their report thereon.

Greg S. Arason
President and Chief Executive Officer

Gordon P. Menzie
Executive Vice-President, Finance and Treasurer

Winnipeg, Manitoba
November 23, 2001

Deloitte & Touche

To the Board of Directors of the Canadian Wheat Board:

We have audited the financial statements of the Canadian Wheat Board which consist of the balance sheet as at July 31, 2001 and the combined statement of operations and statement of distribution for the 2000-01 pool accounts, the statements of operations and the statements of distribution for the 2000-01 pool accounts for wheat, amber durum wheat and barley for the period August 1, 2000 to completion of operations on August 31, 2001 and for designated barley for the period August 1, 2000 to completion of operations on September 30, 2001, the statement of operations for wheat and barley producer payment options for the period August 1, 2000 to August 31, 2001, the statement of cash flow for the year ended July 31, 2001, and the statement of administrative expenses for the year ended July 31, 2001. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements.

An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Canadian Wheat Board as at July 31, 2001 and the results of its operations and cash flow for the periods shown in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Deloitte & Touche LLP
Chartered Accountants

Winnipeg, Manitoba
November 23, 2001

Balance Sheet

Assets

As of July 31 (000's)	2001	2000
Accounts Receivable		
Credit programs (Note 3)	**$ 7,179,353**	$ 7,206,991
Non-credit sales	**25,872**	6,545
Advance payment programs (Note 4)	**447,048**	258,393
Other	**30,538**	58,459
	7,682,811	7,530,388
Inventory of Grain (Note 5)	**995,804**	1,182,227
Deferred and Prepaid Expenses (Note 6)	**21,209**	7,958
Capital Assets (Note 7)	**60,261**	68,349
Total Assets	**$ 8,760,085**	$ 8,788,922

Liabilities

Borrowings (Note 8)	**$ 7,644,976**	$ 7,264,209
Accounts Payable and Accrued Expenses (Note 9)	**138,887**	132,975
Liability to Agents (Note 10)	**594,219**	858,511
Liability to Producers – Outstanding Cheques	**32,132**	222,605
Liability to Producers – Undistributed Earnings (Note 11)	**341,476**	301,325
Provision for Producer Payment Expenses (Note 12)	**4,769**	5,960
Special Account (Note 13)	**3,281**	3,337
Contingency Fund (Note 14)	**345**	-
Total Liabilities	**$ 8,760,085**	$ 8,788,922

Combined Pool Accounts

Statement of Pool Operations *

Crop year (000's)	2000-2001	1999-2000
Receipts (tonnes)	*20 353 543*	*23 628 850*
Revenue (Note 17)	**$ 4,227,674**	$ 4,482,438
Operating Costs		
Direct costs		
Country elevator carrying charges		
- Financing	**22,917**	24,241
- Storage	**43,074**	43,125
Terminal storage	**19,266**	26,839
Net Demurrage (Despatch)	**6,085**	(5,811)
Additional freight		
- To terminals	**25,023**	18,097
- Movement to eastern export position	**56,346**	55,673
- Freight rate changes	**995**	(1,563)
Drying	**318**	395
CWB hopper cars	**3,360**	3,348
Total direct costs	**177,384**	164,344
Administrative expenses (Note 18)	**66,435**	63,771
Grain industry organizations	**1,652**	1,701
Net interest earnings	**(75,220)**	(70,972)
Total Operating Costs	**170,251**	158,844
Earnings for Distribution	**$ 4,057,423**	$ 4,323,594

* Excludes operation of producer payment option programs

Statement of Distribution

Pool Accounts		
Receipts (tonnes)	*20 332 405*	*23 628 850*
Initial payments on delivery	**$ 3,175,762**	$ 3,519,525
Adjustment payments	**520,447**	490,402
Interim payment	**233,949**	148,757
Final payment	**107,376**	152,469
Producer contract storage payments	**15,574**	12,342
Rebate on producer cars	**152**	99
Earnings Distributed to Pool Participants	**4,053,260**	4,323,594
Non-Pool Producer Payment Option Programs		
Receipts (tonnes)	*21 138*	-
Pool returns paid to payment programs	**$ 4,163**	-
Total Distribution	**$ 4,057,423**	$ 4,323,594

Wheat Pool

Crop year (000's)	2000-01 Total	2000-01 Per Tonne	1999-2000 Total	1999-2000 Per Tonne
Statement of Pool Operations *				
Receipts (tonnes)	*13 960 639*		*16 426 836*	
Revenue (Note 17)	**$ 2,735,936**	**$ 195.97**	$ 3,017,261	$ 183.68
Operating Costs				
Direct costs				
Country elevator carrying charges				
- Financing	**14,903**	**1.06**	16,568	1.01
- Storage	**26,679**	**1.91**	29,194	1.78
Terminal storage	**11,973**	**0.86**	17,257	1.05
Net Demurrage (Despatch)	**5,041**	**0.36**	(4,561)	(0.28)
Additional freight				
- To terminals	**20,951**	**1.50**	16,422	1.00
- Movement to eastern export position	**776**	**0.06**	(2,231)	(0.14)
- Freight rate changes	**613**	**0.04**	(774)	(0.05)
Drying	**278**	**0.02**	319	0.02
CWB hopper cars	**2,305**	**0.17**	2,328	0.14
Total direct costs	**83,519**	**5.98**	74,522	4.54
Administrative expenses (Note 18)	**45,545**	**3.26**	44,328	2.70
Grain industry organizations	**1,075**	**0.08**	1,183	0.07
Net interest earnings	**(58,340)**	**(4.18)**	(53,687)	(3.27)
Total Operating Costs	**71,799**	**5.14**	66,346	4.04
Earnings for Distribution	**$ 2,664,137**	**$ 190.83**	$ 2,950,915	$ 179.64

* Excludes operation of producer payment option programs

	2000-01 Total	2000-01 Per Tonne	1999-2000 Total	1999-2000 Per Tonne
Statement of Distribution				
Pool Account				
Receipts (tonnes)	*13 939 501*		*16 426 836*	
Initial payments on delivery	**$ 2,156,832**	**$ 154.73**	$ 2,452,411	$ 149.29
Adjustment payments	**330,590**	**23.72**	339,965	20.70
Interim payment	**116,065**	**8.32**	65,453	3.98
Final payment	**56,385**	**4.04**	93,007	5.66
Rebate on producer cars	**102**	**0.01**	79	0.01
Earnings Distributed to Pool Participants	**2,659,974**	**190.82**	2,950,915	179.64
Non-Pool Producer Payment Option Programs				
Receipts (tonnes)	*21 138*		-	
Pool returns paid to payment programs	**$ 4,163**	**$ 196.95**	-	-
Total Distribution	**$ 2,664,137**	**$ 190.83**	$ 2,950,915	$ 179.64

Durum Pool

Crop year (000's)	2000-01 Total	2000-01 Per Tonne	1999-2000 Total	1999-2000 Per Tonne
Statement of Pool Operations				
Receipts (tonnes)	*3 665 343*		*3 975 734*	
Revenue (Note 17)	**$ 969,891**	**$ 264.61**	$ 892,476	$ 224.48
Operating Costs				
Direct costs				
Country elevator carrying charges				
- Financing	**5,611**	**1.53**	5,595	1.41
- Storage	**10,832**	**2.96**	8,768	2.21
Terminal storage	**7,270**	**1.98**	8,761	2.20
Net Demurrage (Despatch)	**(605)**	**(0.17)**	(1,212)	(0.30)
Additional freight				
- To terminals	**4,056**	**1.11**	1,420	0.36
- Movement to eastern export position	**55,570**	**15.16**	57,904	14.56
- Freight rate changes	**381**	**0.10**	(510)	(0.13)
Drying	**13**	**0.00**	48	0.01
CWB hopper cars	**605**	**0.17**	563	0.14
Total direct costs	**83,733**	**22.84**	81,337	20.46
Administrative expenses (Note 18)	**11,962**	**3.26**	10,734	2.70
Grain industry organizations	**282**	**0.08**	286	0.07
Net interest earnings	**(8,124)**	**(2.21)**	(7,595)	(1.91)
Total Operating Costs	**87,853**	**23.97**	84,762	21.32
Earnings for Distribution	**$ 882,038**	**$ 240.64**	$ 807,714	$ 203.16

	2000-01 Total	2000-01 Per Tonne	1999-2000 Total	1999-2000 Per Tonne
Statement of Distribution				
Pool Account				
Receipts (tonnes)	*3 665 343*		*3 975 734*	
Initial payments on delivery	**$ 609,383**	**$ 166.26**	$ 619,492	$ 155.82
Adjustment payments	**133,753**	**36.49**	80,732	20.31
Interim payment	**100,481**	**27.41**	61,933	15.58
Final payment	**38,376**	**10.47**	45,542	11.45
Rebate on producer cars	**45**	**0.01**	15	0.00
Total Distribution	**$ 882,038**	**$ 240.64**	$ 807,714	$ 203.16

Barley Pool

Crop year (000's)	2000-01		1999-2000	
	Total	Per Tonne	Total	Per Tonne
Statement of Pool Operations				
Receipts (tonnes)	*454 073*		*671 703*	
Revenue (Note 17)	$ 63,175	$ 139.13	$ 90,262	$ 134.38
Operating Costs				
Direct costs				
Country elevator carrying charges				
- Financing	276	0.60	441	0.66
- Storage	1,466	3.23	1,639	2.44
Terminal storage	213	0.47	781	1.16
Net Demurrage (Despatch)	1,762	3.88	(9)	(0.01)
Additional freight				
- To terminals	16	0.04	255	0.38
- Freight rate changes	(84)	(0.19)	(127)	(0.19)
Drying	27	0.06	28	0.04
CWB hopper cars	75	0.17	95	0.14
Total direct costs	3,751	8.26	3,103	4.62
Administrative expenses (Note 18)	1,511	3.32	1,816	2.70
Grain industry organizations	35	0.08	48	0.07
Net interest earnings	(6,409)	(14.11)	(5,308)	(7.90)
Total Operating Costs	(1,112)	(2.45)	(341)	(0.51)
Earnings for Distribution	$ 64,287	$ 141.58	$ 90,603	$ 134.89

Statement of Distribution				
Pool Account				
Receipts (tonnes)	*454 073*		*671 703*	
Initial payments on delivery	$ 46,153	$ 101.64	$ 69,773	$ 103.88
Adjustment payments	12,736	28.05	12,496	18.60
Interim payment	3,190	7.03	4,702	7.00
Final payment	2,203	4.85	3,627	5.40
Rebate on producer cars	5	0.01	5	0.01
Total Distribution	$ 64,287	$ 141.58	$ 90,603	$ 134.89

Designated Barley Pool

Crop year (000's)	2000-01		1999-2000	
	Total	**Per Tonne**	Total	Per Tonne
Statement of Pool Operations				
Receipts (tonnes)	*2 273 488*		*2 554 577*	
Revenue (Note 17)	**$ 458,672**	**$ 201.75**	$ 482,439	$ 188.85
Operating Costs				
Direct costs				
Country elevator carrying charges				
- Financing	**2,126**	**0.93**	1,637	0.64
- Storage	**4,097**	**1.80**	3,524	1.38
Terminal storage	**(190)**	**(0.08)**	40	0.02
Net Demurrage (Despatch)	**(113)**	**(0.05)**	(29)	(0.01)
Additional Freight - Freight rate changes	**85**	**0.04**	(152)	(0.06)
CWB hopper cars	**375**	**0.17**	362	0.14
Total direct costs	**6,380**	**2.81**	5,382	2.11
Administrative expenses (Note 18)	**7,417**	**3.26**	6,893	2.70
Grain industry organizations	**260**	**0.11**	184	0.07
Net interest earnings	**(2,346)**	**(1.03)**	(4,382)	(1.72)
Total Operating Costs	**11,711**	**5.15**	8,077	3.16
Earnings for Distribution	**$ 446,961**	**$ 196.60**	$ 474,362	$ 185.69

Statement of Distribution

	2000-01 Total	2000-01 Per Tonne	1999-2000 Total	1999-2000 Per Tonne
Pool Account				
Receipts (tonnes)	*2 273 488*		*2 554 577*	
Initial payments on delivery	**$ 363,394**	**$ 159.84**	$ 377,849	$ 147.91
Adjustment payments	**43,368**	**19.08**	57,209	22.39
Interim payment	**14,213**	**6.25**	16,669	6.53
Final payment	**10,412**	**4.58**	10,293	4.03
Producer contract storage payments	**15,574**	**6.85**	12,342	4.83
Total Distribution	**$ 446,961**	**$ 196.60**	$ 474,362	$ 185.69

Statement of Payment Option Program Operations

Wheat Program

(000's)	Fixed Price Contract/Basis Price Contract Total	Per Tonne
Receipts (tonnes)	*21 138*	
Revenue		
Pool returns paid to the program	$ 4,163	$ 196.95
Net hedging activity	213	10.08
Liquidated damages	36	1.70
Total Revenue	4,412	208.73
Expense		
Contracted amounts paid to producers	4,027	190.51
Net interest	42	1.98
Administrative expense	216	10.22
	4,285	202.71
Net Surplus on Program Operations (Note 14)	$ 127	$ 6.02

Barley Program

(000's)	Early Payment Option Total	Per Tonne
Receipts (tonnes)	*191 253*	
Revenue		
Program discount	$ 398	$ 2.08
Liquidated damages	12	0.06
	410	2.14
Expense		
Net hedging activity	136	0.71
Net interest	56	0.29
	192	1.00
Net Surplus on Program Operations (Note 14)	$ 218	$ 1.14

Statement of Cash Flow

For the year ended July 31 (000's)	2001	2000
Increases (Decreases) of cash during the year		
Cash Flow from Operating Activities		
Received from sale of grain	**$ 4,227,675**	$ 4,504,817
Pool operating costs	**(170,251)**	(181,224)
Producer payment option programs operations	**209**	-
Add non-cash items		
Depreciation on CWB hopper cars	**2,836**	2,870
Depreciation on other capital assets	**7,776**	8,875
Cash flow from operating activities before changes in working capital	**4,068,245**	4,335,338
Changes in non-cash working capital		
Accounts receivable, excluding credit sales	**(180,062)**	(205,935)
Inventory of grain	**186,423**	(76,480)
Deferred and prepaid expenses	**(13,251)**	16,374
Accounts payable and accrued expenses	**5,913**	1,811
Liability to agents	**(264,292)**	99,988
Liability to producers for outstanding cheques	**(190,473)**	51,280
Provision for producer payment expenses	**(1,191)**	26
Special account	**(56)**	(683)
	3,611,256	4,221,719
Cash Flow from Financing Activities		
Increase in borrowings	**380,767**	495,340
	380,767	495,340
Cash Flow from Investing and Other Activities		
Accounts receivable - credit programs	**27,638**	(331,342)
Purchase of capital assets	**(2,840)**	(4,950)
Proceeds from sale of capital assets	**315**	521
	25,113	(335,771)
Cash Distributions		
Prior year undistributed earnings	**(301,325)**	(359,020)
Current year distributions prior to July 31	**(3,711,784)**	(4,022,268)
Non-pool producer payment option payments	**(4,027)**	-
	(4,017,136)	(4,381,288)
Net Increase in Cash and Cash Equivalents	**-**	-
Net Cash Position at Beginning of Year	**-**	-
Net Cash Position at End of Year	**$ -**	$ -

Statement of Administrative Expenses

For the year ended July 31 (000's)	**2001**	2000
CWB Costs		
Board of Directors	**$ 1,185**	$ 1,178
Computer contractors	**3,081**	4,120
Computer maintenance and services	**6,187**	4,376
Communications	**1,056**	719
CWB publications	**775**	771
Farmer permits, contracts & payments	**741**	601
Facilities	**1,741**	1,669
Office services	**2,621**	2,575
Human resources	**32,898**	30,580
Training	**654**	457
Recruitment	**300**	321
Other	**691**	642
Professional fees and outside services	**2,730**	1,547
Taxes	**343**	400
Travel	**1,510**	1,496
	56,513	51,452
Depreciation	**7,776**	8,875
	64,289	60,327
Special Expenses		
Trade actions	**1,091**	733
Director elections	**583**	70
Reorganization Costs	**(75)**	2,583
	1,599	3,386
Total Administrative Expenses (Note 18)	**$ 65,888**	$ 63,713

Notes to the Financial Statements

1. Act of Incorporation and Mandate

The Canadian Wheat Board (the Corporation) was established by the *Canadian Wheat Board Act*, a statute of the Parliament of Canada. On June 11, 1998, Bill C-4, *An Act to Amend the Canadian Wheat Board Act* continued the Corporation as a shared governance corporation, without share capital, effective December 31, 1998.

The Corporation was created for the purpose of marketing, in an orderly manner, in inter-provincial and export trade, grain grown in Western Canada. The Corporation is headed by a Board of Directors, comprised of 10 producer-elected and five government-appointed members. The Corporation is accountable for its affairs to both western Canadian farmers through its elected Board members and to Parliament through the Minister responsible for the Canadian Wheat Board.

The Corporation is exempt from income taxes pursuant to Section 149(1)(d) of the *Income Tax Act*.

2. Significant Accounting Policies

Results of Operations

The financial statements at July 31 include the final operating results for all pool accounts and programs for the crop year ended July 31, where marketing operations have been completed before the issuance of the annual report for that year. In determining the financial results for such pools and programs, the accounts of the Corporation at July 31 include:

Revenue - Revenue from grain sales recognized in the accounts at the time that shipment is made, at the equivalent value of the proceeds receivable at Vancouver, Churchill or St. Lawrence position.

Inventory - Inventory of grain on hand at July 31 at the values that were ultimately expected to be received as sale proceeds.

Expenses incurred subsequent to July 31 - Provision for all expenses incurred or to be incurred in the process of marketing these inventories of grain including a charge for the portion of administrative expenses incurred subsequent to July 31 but relating to this marketing activity. Expenses related to marketing activities carried out subsequent to July 31 are included in accounts payable and accrued expenses. The expenses included are carrying charges, transportation charges, and administrative costs, together with all other sundry expenses incurred during the period.

Liability to producers - Balances not yet distributed to producers at July 31 where marketing operations have been completed for the current pool accounts are included in Liability to producers.

Allowances for Losses on Accounts Receivable

Accounts receivable from credit programs - The Government of Canada guarantees the repayment of the principal and interest of all receivables resulting from sales made under the Credit Grain Sales Program, and a declining percentage, based on the repayment term of the credit, of all receivables resulting from sales made under the Agri-food Credit Facility. The Corporation assumes the risk not covered by the Government of Canada. For receivables resulting from credit sales made outside of the Credit Grain Sales Program and the Agri-food Credit Facility, the Corporation may enter into arrangements with commercial banks who will assume the credit risk without recourse.

Accounts receivable from non-credit sales - Shipments are made pursuant to the receipt of appropriate letters of credit issued by commercial banks that guarantee the receipt of funds by the Corporation.

Accounts receivable from advance payment programs - The Government of Canada guarantees the repayment of the principal amount due from producers resulting from cash advances made under the *Agricultural Marketing Programs Act*, and the Spring Credit Advance Program.

As a result of these guarantees and arrangements, no provision is made with respect to the possibility of debtors defaulting on their obligations.

Capital Assets and Depreciation

Capital assets are recorded at cost and depreciated on a straight line method over their expected useful life as follows:

Asset Class	Term (years)
Computer equipment	1 to 5
Computer systems development	2 to 10
Automobiles	3
Building and office improvements	3
Office furniture and equipment	10
Hopper cars	30
Building	40
Leasehold improvements	Term of lease

Translation of Foreign Currencies

All monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at exchange rates prevailing on the balance sheet date. The Corporation hedges its United States dollar assets and liabilities on a portfolio basis. Exchange adjustments arising from the translation of foreign currency denominated assets or liabilities are recognized in the period in which they occur, as a component of revenue. Borrowings in currencies other than the Canadian or United States dollar are hedged by foreign exchange contract agreements and are converted into Canadian or United States dollars at the rates provided therein.

Sales contracts denominated in foreign currencies are hedged by foreign exchange forward contracts. Forward exchange contracts are translated into Canadian dollars at the rates provided therein. These amounts are recorded in revenue as an adjustment to the underlying sales transactions.

Other income and expenses are translated at the daily exchange rates in effect during the year.

Derivative Financial Instruments

The Corporation uses various types of derivative financial instruments such as currency and interest rate swaps, foreign exchange forward and option contracts and commodity future and option

contracts in order to manage its exposure to currency, interest rate and commodity price risks. These instruments are designated as hedges and are only used for risk management purposes.

Interest rate contracts - Amounts to be paid or received under swap and forward contracts are recognized in the period in which they occur, as a component of net interest earnings.

Currency exchange contracts - Amounts to be paid or received under currency exchange contracts are recognized in the same pool account in which the related foreign currency transaction occurs, as a component of sales revenue.

Commodity contracts - Amounts to be paid or received under wheat future and option contracts are recognized in the same pool account as the related sale that is being hedged, as a component of sales revenue.

Net Interest Earnings

Net interest earnings includes interest revenue and expenses related to accounts receivable and borrowings, bank charges, transaction and program fees on borrowing facilities and interest earned on each pool account during the pool period and until final distribution of earnings to producers. Interest revenue and expenses are netted which is consistent with the requirement under the *Canadian Wheat Board Act* that such amounts be treated as charges or recoveries of operating costs.

Employee Future Benefits

Employees of the Corporation are entitled to specified benefits provided upon retirement or termination.

Pension Plan - Employees participate in the Public Service Superannuation Act pension plan, which is a multi-employer defined benefit plan, administered by the Government of Canada. The Corporation matches employees' contributions for current or prior service. These contributions are expensed during the year in which the services are rendered and represent the total pension obligation of the Corporation.

Other Post-Employment Benefits - During fiscal 2001, the Corporation prospectively adopted the accounting recommendations of the Canadian Institute of Chartered Accountants (CICA) Handbook Section 3461, Employee Future Benefits. The Corporation accrues its obligations under employee benefit plans and the related costs, net of plan assets over the periods in which the employees render services in return for the benefits. The Corporation has adopted the following policies:

- The cost of post-employment benefits earned by employees is actuarially determined using the projected benefit cost method prorated on service and management's best estimate of salary escalation, retirement ages of employees and expected health care costs. Post-employment benefits include health care, life insurance, long service allowance, unused sick leave accumulated prior to 1988, and unused vacation accumulated prior to 1996.
- The transitional obligation as at July 31, 2000 is $13,685,546 and is being amortized over the Average Remaining Service Period (ARSP) which is 15 years.

3. Accounts Receivable from Credit Sales Programs

			2001	2000
(000's)	Credit Grain Sales Program	Agri-food Credit Facility	Total	Total
Due from Foreign Customers				
Current	**$ 228,370**	**$ 84,960**	**$ 313,330**	$ 466,384
Overdue	**828,140**	**-**	**828,140**	756,350
Subject to Paris Club rescheduling	**12,558**	**-**	**12,558**	233,511
Rescheduled	**5,971,401**	**-**	**5,971,401**	5,692,906
	7,040,469	**84,960**	**7,125,429**	7,149,151
Due from Government of Canada	**53,924**	**-**	**53,924**	57,840
	$ 7,094,393	**$ 84,960**	**$ 7,179,353**	$ 7,206,991
Credit Risk				
Guaranteed by Government of Canada	**$ 7,094,393**	**$ 83,261**	**$ 7,177,654**	$ 7,205,664
Assumed by the Corporation	**-**	**1,699**	**1,699**	1,327
	$ 7,094,393	**$ 84,960**	**$ 7,179,353**	$ 7,206,991

Accounts receivable balances are classified under the following applicable credit programs:

Credit Grain Sales Program

Accounts receivable under this program arise from sales to Algeria, Brazil, Egypt, Ethiopia, Haiti, Iran, Iraq, Jamaica, Pakistan, Peru, Poland, Russia and Zambia. Of the $7,040,468,948 principal and accrued interest due from foreign customers at July 31, 2001, $5,340,072,635 represents the Canadian equivalent of $3,484,549,844 repayable in United States funds. Of the $7,085,830,625 principal and accrued interest due from customers at July 31, 2000, $5,317,386,143 represents the Canadian equivalent of $3,575,915,362 repayable in United States funds.

Overdue accounts receivable at July 31, 2001 represent amounts due from Iraq where payments for past credit sales had not been received on due dates and were still outstanding at year end.

Through a forum known as the Paris Club, the Government of Canada and other creditors have periodically agreed to extend repayment terms beyond the original maturity dates or to reduce the

principal owed by a debtor country. All members of the Paris Club are obligated to grant the debtor country the same treatment. Under terms agreed to by the Government of Canada at the Paris Club, the Corporation has entered into agreements to reschedule certain receivables beyond their original maturity dates for Algeria, Brazil, Egypt, Ethiopia, Haiti, Jamaica, Pakistan, Peru, Poland, Russia and Zambia. The terms for these reschedulings vary, calling for payment of interest and rescheduled principal for periods ranging from five to twenty-five years.

Also under terms agreed to by the Government of Canada at the Paris Club, the Corporation will be entering into an agreement with Pakistan to reschedule certain receivables totaling $12,558,225 at July 31, 2001 beyond their original maturity dates.

In addition to debt rescheduling by means of extending repayment terms, the Government of Canada has agreed to reduce the debt owed to the Corporation by Ethiopia, Poland and Zambia. Under these debt reduction arrangements, amounts that otherwise would have been paid by the debtor government are paid to the Corporation by the Government of Canada. A total of $53,924,194 was due from the Government of Canada as at July 31, 2001 under these debt reduction agreements. Of this amount, $27,305,652 represents the Canadian equivalent of $17,817,717 that will be repayable in United States funds.

There is no allowance for losses, as the Government of Canada guarantees repayment of the principal and interest of the credit receivables under this program.

Agri-food Credit Facility

Accounts receivable under this facility arise from sales to customers in China, Indonesia, Mexico, South Korea and Peru. The July 31, 2001 balance of $84,960,338 principal and accrued interest due under the Agri-food Credit Facility (ACF) represents the Canadian equivalent of $55,439,046 repayable in United States funds. The July 31, 2000 balance of $63,320,529 principal and accrued interest represents the Canadian equivalent of $42,582,736 repayable in United States funds.

There have been no ACF defaults to date and there are no outstanding ACF balances that are overdue. Management considers this balance collectable in its entirety therefore there is no allowance for credit losses.

Fair Value

All accounts receivable resulting from sales made under credit programs as at July 31, 2001 have contractual interest rate repricing dates under 365 days. As a result of the short terms to repricing dates of these financial instruments, carrying values approximate the fair value.

Maturities

These accounts receivable mature as follows:

(000's)	**2001**	2000
Amounts due:		
Within 1 year	**$ 667,208**	$ 749,573
From 1 - 2 years	**338,840**	224,113
From 2 - 3 years	**440,136**	331,051
From 3 - 4 years	**526,091**	429,436
From 4 - 5 years	**597,622**	513,415
Over 5 years	**3,769,568**	4,203,053
Overdue	**839,888**	756,350
	$ 7,179,353	$ 7,206,991

4. Accounts Receivable from Advance Payment Programs

(000's)	Agricultural Marketing Programs Act	Prairie Grain Advance Payments Act	Spring Credit Advance Program	**2001** Total	2000 Total
Due from Producers					
Principal balances outstanding	**$ 108,090**	**$ -**	**$ 336,527**	**$ 444,617**	$ 257,034
	108,090	**-**	**336,527**	**444,617**	257,034
Due from (to) Government of Canada					
Recovery of interest costs on producers' interest free portion of advances	**2,517**	**-**	**2,563**	**5,080**	3,083
Amounts collected from producers and grain companies subsequent to reimbursement by Government of Canada	**(1,370)**	**(134)**	**-**	**(1,504)**	(366)
Interest on defaulted accounts collected from producers on behalf of Government of Canada	**(1,045)**	**(39)**	**(61)**	**(1,145)**	(1,358)
	102	**(173)**	**2,502**	**2,431**	(1,359)
	$ 108,192	**$ (173)**	**$ 339,029**	**$ 447,048**	$ 258,393

The Corporation administers the cash advance programs for wheat, durum and barley farmers in Western Canada on behalf of the Government of Canada. The Government guarantees the repayment of advances made to farmers therefore the corporation is not exposed to credit risk. The Corporation recovers its costs of administering the programs from the Government.

The Government of Canada introduced the *Agricultural Marketing Programs Act* in 1997 to provide farmers with cash flow by advancing money for grain stored on the farm. This program replaced a previous Government of Canada program under the *Prairie Grain Advance Payments Act*. The Government of Canada pays interest on advances up to $50,000, and the producer pays interest on any amounts in excess of $50,000.

The Government of Canada introduced the Spring Credit Advance Program in the spring of 2000 to assist farmers with spring seeding costs. The program enables producers to receive up to $20,000 with interest paid by the Government of Canada. Any balances outstanding under the program will reduce the interest-free and maximum entitlements available to the producer in the fall of 2000 under the *Agricultural Marketing Programs Act*.

Cash advances issued during the year by the Corporation under these programs totalled $956,334,864, including $611,736,223 issued under the *Agricultural Marketing Programs Act* and $344,598,641 issued under the Spring Credit Advance Program.

5. Inventory of Grain

Inventory of grain at July 31 is reported at values ultimately expected to be received as sale proceeds as follows:

(000's)	2001	2000
Wheat	**$ 507,421**	$ 691,068
Durum	**421,549**	369,403
Barley	**2,690**	31,206
Designated Barley	**64,144**	90,550
	$ 995,804	$ 1,182,227

6. Deferred and Prepaid Expenses

(000's)	2001	2000
Prepaid cost of moving inventory to eastern export position	**$ 14,733**	$ 12,320
Purchase and lease-renewal options on leased hopper cars	**4,860**	5,137
Deposits on commodity margin accounts	**3,516**	3,692
Other	**1,097**	2,946
Net results of commodity hedging activities applicable to subsequent pool accounts	**(2,997)**	(16,137)
	$ 21,209	$ 7,958

7. Capital Assets

	2001			2000		
(000's)	Cost	Accum. Deprec.	Net Book Value	Cost	Accum. Deprec.	Net Book Value
Computer systems development	**$ 45,537**	**$ 14,380**	**$ 31,157**	$ 45,025	$ 9,390	$ 35,635
Hopper cars	**84,715**	**60,712**	**24,003**	85,258	58,260	26,998
Computer equipment	**14,253**	**11,743**	**2,510**	12,816	10,017	2,799
Furniture & equipment	**4,815**	**3,278**	**1,537**	4,737	2,972	1,765
Land, building and improvements	**7,648**	**7,054**	**594**	7,563	6,752	811
Automobiles	**556**	**138**	**418**	509	168	341
Leasehold improvements	**195**	**153**	**42**	139	139	-
	$ 157,719	**$ 97,458**	**$ 60,261**	$ 156,047	$ 87,698	$ 68,349

Two thousand hopper cars were purchased by the Corporation in 1979-80 having an original cost of $90,555,620. Of these 2,000 cars, 129 cars have been wrecked and dismantled, leaving 1,871 still in the fleet. The Corporation is reimbursed for destroyed cars under an operating agreement with the Canadian National Railway.

8. Borrowings

The Corporation issues debt in world capital markets. The Corporation's borrowings are undertaken with the approval of the Minister of Finance. The borrowings are unconditionally and irrevocably guaranteed by the Minister of Finance on behalf of Her Majesty in right of Canada through an explicit guarantee included in the Canadian Wheat Board Act.

Short-term borrowings consist of commercial paper issued by the Corporation in the Canadian, United States and Euro markets and bank loans with maturities less than one year. All foreign exchange risk is eliminated through the use of derivatives. The Corporation uses currency swaps and forward contracts in the same notional amounts for each of the respective currencies and respective terms.

Medium-term borrowings are notes issued in the Euro Medium Term Note market with an original term to maturity exceeding one day, but less than 10 years. The majority of medium-term notes are structured securities where interest and/or principal are linked to fluctuations in currency rates and other market references. Some notes may also be called prior to maturity by the Corporation. The Corporation uses swap contracts to eliminate currency risk and minimize interest rate risk associated with medium-term borrowings. These contracts ensure that the CWB will receive proceeds from the swap to meet all principal and interest payments of the note, ultimately creating a floating rate obligation similar to the CWB's short-term borrowings.

(000's)	Effective Interest Rate (%)	**2001**	2000
Short-term borrowings	3.03 - 6.79	**$ 7,691,161**	$ 6,655,900
Medium-term borrowings	3.51 - 5.10	**229,315**	576,291
Accrued interest	-	**56,283**	93,836
Total borrowings	3.03 - 6.79	**7,976,759**	7,326,027
Less investments	3.90 - 4.30	**(331,783)**	(61,818)
Net borrowings	3.03 - 6.79	**$ 7,644,976**	$ 7,264,209

Of the net borrowings at July 31, $5,634,260,258 represents the Canadian equivalent of $3,676,515,666 that will be repayable in United States funds. Of the net borrowings at July 31, 2000, $5,503,964,457 represents the Canadian equivalent of $3,701,388,337 repayable in United States funds.

These borrowings mature as follows:

(000's)	**2001**	2000
Amounts due:		
within 1 year	**$ 7,762,320**	$ 7,121,486
from 1 - 4 years	**-**	-
from 4 - 5 years	**37,537**	-
over 5 years	**176,902**	204,541
	$ 7,976,759	$ 7,326,027

All borrowings have contractual interest rate repricing dates under 365 days. As a result of the short term to maturity of these financial instruments, carrying values approximate the fair value.

9. Accounts Payable & Accrued Expenses

(000's)	**2001**	2000
Accounts payable and accrued liabilities	**$ 39,012**	$ 32,799
Expenses incurred subsequent to July 31 for marketing activities on behalf of the current year pool accounts	**74,175**	70,466
Deferred sales revenue	**25,700**	29,710
	$ 138,887	$ 132,975

10. Liability to Agents

(000's)	2001	2000
Grain purchased from producers	**$ 526,666**	$ 789,428
Deferred cash tickets	**67,553**	69,083
	$ 594,219	$ 858,511

Grain Purchased from Producers

Grain companies, acting in the capacity of agents of the Corporation, accept deliveries from producers at country elevators and pay the producers on behalf of the Corporation based on the initial payment rates that are in effect at the time. The Corporation does not make settlement for these purchases until the grain is delivered to the Corporation by the agents at terminal or mill position. The liability to agents for grain purchased from producers represents the amount payable by the Corporation to its agents for 2 892 020 (2000 - 4 665 537) tonnes of grain on hand at country elevator points and in transit at July 31 for which delivery to and settlement by the Corporation is to be completed subsequent to the year end date.

Deferred Cash Tickets

Grain companies, acting in the capacity of agents of the Corporation, deposit in trust with the Corporation an amount equal to the value of deferred cash tickets issued to producers for Corporation grain. The Corporation returns these funds to the grain companies to cover producer-deferred cash tickets maturing predominantly during the first few days of the following calendar year.

11. Liability to Producers - Undistributed Earnings

Of the undistributed earnings to producers totaling $341,476,449 at July 31, 2001 (2000 - $301,325,339), $233,948,582 (2000 - $148,756,397) was distributed to producers in an interim payment on November 7, 2001. The balance of $107,527,867 (2000 - $152,568,942) will be distributed to producers through final payments and producer car rebates.

12. Provision for Producer Payment Expenses

The amount of $4,768,940 (2000 - $5,960,386) represents the balance of the reserve for producer payment expenses of pool accounts that have been closed. Six years after particular accounts have been closed, the remaining reserves for these pools may be transferred to the Special Account upon authorization of the Governor in Council.

13. Special Account - Net Balance Of Undistributed Payment Accounts

In accordance with the provision of Section 39 of the *Canadian Wheat Board Act*, the Governor in Council may authorize the Corporation to transfer to a Special Account the unclaimed balances remaining in payment accounts which have been payable to producers for a period of six years or more. In addition to providing for payment of proper claims from producers against these old payment accounts, the Section further provides that these funds shall be used for purposes as the Governor in Council, upon the recommendation of the Corporation, may deem to be for the benefit of producers. The activity in the Special Account is comprised of:

(000's)	2001	2000
Beginning of year	**$ 3,337**	$ 4,020
Transfer from payment accounts	**2,037**	902
Expenditures	**(2,080)**	(1,573)
Payments to producers against old payment accounts	**(13)**	(12)
End of year	**$ 3,281**	$ 3,337
Ending balance comprised of:		
Unexpended authorizations	**1,927**	1,731
Not designated for expenditure	**1,354**	1,606
	$ 3,281	$ 3,337

During the year ended July 31, 2001, the balance from payment accounts for 1993 Wheat, 1993 Durum, 1992 Designated Barley and 1993 Designated Barley were transferred to the Special Account under Order-in-Council P.C. 2001-822.

The program expenditures during the 2000-01 crop year are detailed as follows:

(000's)	Unexpended at beg. of yr	Authorized	Expended	Expired	Unexpended at end of yr
Market development program	$ 265	$ -	$ (131)	$ -	$ 134
Scholarship program	24	376	(360)	-	40
Canadian International Grains Institute					
Capital expenditures	112	125	(94)	-	143
Test Baking Facility	-	400	23	-	423
Agribusiness Chair - University of Manitoba	-	375	(75)	-	300
Automated Quality Testing	1,330	-	(580)	-	750
Canadian Malting Barley Technical Centre	-	1,000	(863)	-	137
	$ 1,731	$ 2,276	$ (2,080)	$ -	$ 1,927

14. Contingency Fund - Producer Payment Options

The Corporation has implemented delivery contract options and payment alternatives to producers. The Fixed Price Contract/Basis Price Contract (FPC/BPC) provides producers with the opportunity to lock in a fixed price or basis for all or a portion of their grain prior to the beginning of the crop year. Full payment for the grain is received immediately after delivery and the producer is not eligible for other payments from the pool account. The Guaranteed Delivery Contract (GDC) with Early Payment Option (EPO) provides the producer with a greater portion of their expected final pool price at time of delivery, while still eligible for other payments from the pool account.

The surplus or deficit arising from the operation of these programs is transferred to a contingency fund so that net operating results will not impact the pool accounts. The contingency fund balance at July 31, 2001 is detailed as follows:

(000's)	Wheat FPC/BPC	Barley GDCEPO	2001 Total
Opening balance, beginning of year	$ -	$ -	$ -
Surplus from program operations	127	218	345
Closing balance, end of year	$ 127	$ 218	$ 345

15. Lease Commitments

The Corporation leases 1,750 hopper cars (2000 - 2,000 cars) for the Government of Canada. All lease costs to the end of the original lease periods are recoverable from the government and are not charged to the pool accounts. Total payments associated with these leases in the year ended July 31, 2001, amounting to $17,686,168 (2000 - $20,953,717) have been recovered by the Corporation. Lease terms are for 25 years, expiring in 2006.

In 1995, the Corporation purchased an option to extend the lease agreement on 250 of the above noted hopper cars for a five-year term at a bargain lease rate. Effective October 1, 2000, the Corporation exercised this right. The lease payments under this lease extension are not recoverable from the Government of Canada and will be paid directly by the pool accounts. The cost of the option is being amortized over the term of the five-year extension, beginning October 2000.

Between 1991 and 1995, the Corporation purchased options to acquire 1,550 of the original 2000 cars at the end of the lease term in 2006. Of the 1,550 cars covered by the option, 66 have been wrecked and dismantled, leaving 1,484 cars, which may be purchased at a total cost of $17,530,384 in United States dollars. The cost of these options is recorded in deferred and prepaid expenses.

The Corporation has entered into operating leases for premises and office equipment. Lease terms are for periods ranging from one to six years, expiring between September 2001 and February 2005. The Corporation has the option to renew most of these leases for additional terms ranging from one to three years. Total lease payments for premises and office equipment expensed in the year ended July 31, 2001 were $1,128,252 (2000 - $1,080,791).

Lease costs on premises and office equipment are charged to administrative expenses. Commitments under operating leases are as follows:

	Hopper Cars (US$)	Premises & Office Equipment (Cdn$)
2002	$ 456	$ 749
2003	456	342
2004	456	108
2005	456	32
2006	76	-
After 2006	-	-

16. Off Balance Sheet Financial Instruments

The Corporation enters into interest rate hedging transactions to manage its funding costs and to implement asset/liability management strategies. These transactions are designed to reduce exposure to mismatches in revenue and expenses resulting from currency and interest rate fluctuations. These transactions include interest rate swap contracts, cross-currency interest rate swap contracts and foreign exchange swap contracts.

The Corporation also transacts foreign exchange forwards and swaps with financial institutions with the objective of hedging currency exposure arising primarily from grain sales. By hedging the currency exposure, risk arising from adverse currency movements is reduced.

As at July 31, the total notional amount of these off balance sheet financial instruments, all either maturing or rate re-setting within one year, is as follows:

	2001			2000		
(000's)	Notional Amounts	Fair Value	Credit Risk	Notional Amounts	Fair Value	Credit Risk
Interest rate contracts						
Single-currency int. rate swaps	**$ 253,016**	**$ (1,610)**	**$ 112**	$ 753,314	$ (7,206)	$ 461
Cross-currency int. rate swaps	**206,328**	**(1,945)**	**10,342**	204,541	(11,472)	5,595
	459,344	**(3,555)**	**10,454**	957,855	(18,678)	6,056
Foreign exchange contracts						
Forwards	**721,443**	**855**	**2,259**	546,278	(4,263)	120
Swaps	**1,256,408**	**3,839**	**6,827**	85,634	(3,356)	-
	1,977,851	**4,694**	**9,086**	631,912	(7,619)	120
	$ 2,437,195	**$ 1,139**	**$ 19,540**	$ 1,589,767	$ 26,297	$ 6,176

The fair value of interest rate contracts refers to the net present value of expected future cash flows based on current market rates. These values have been derived using various methodologies including net present value analysis and quoted market prices where available. The fair value of foreign exchange contracts refers to the market value of forward contracts. These estimates of fair value are extensively affected by the assumptions used and as such, should not be interpreted as realizable values in an immediate settlement of the instruments.

Credit risk is the risk of financial loss occurring as a result of default by a counterparty on its obligations to the Corporation. A positive fair value indicates the Corporation's exposure to counterparty credit risk. The Corporation manages its exposure to credit risk by contracting only with financial institutions having a credit rating that complies with the financial risk management guidelines approved by the Department of Finance. Master netting agreements are used to reduce the credit risk from potential counterparty default. The largest notional amount contracted with any institution as at July 31, 2001 was $425,210,046 (2000 - $464,632,481) and the largest credit risk with any institution as at July 31, 2001 was $773,394 (2000 - $3,239,206).

17. Revenue

(000's, except tonnes)	2000-01 Tonnes	2000-01 Amount	1999-00 Tonnes	1999-00 Amount
Wheat				
Disposition of grain				
Shipped prior to July 31	**13,579,509**	**$ 2,640,882**	15,360,608	$ 2,887,478
Shipped subsequent to July 31	**1,234,027**	**234,529**	1,536,091	285,434
Weight losses in transit and drying	**777**	**-**	764	-
Total disposition of grain	**14,814,313**	**2,875,411**	16,897,463	3,172,912
Add grain sold to subsequent pool account	**1,430,773**	**272,892**	2,241,631	405,634
Gross sales	**16,245,086**	**3,148,303**	19,139,094	3,578,546
Less sales used to value prior pool account	**(2,241,631)**	**(405,634)**	(2,649,485)	(528,319)
	14,003,455	**2,742,669**	16,489,609	3,050,227
Deduct cost of grain purchased from other than producers	**(42,816)**	**(6,733)**	(62,773)	(10,587)
Revenue	**13,960,639**	**$ 2,735,936**	16,426,836	$ 3,039,640
Durum				
Disposition of grain				
Shipped prior to July 31	**3,391,948**	**$ 844,489**	3,516,885	$ 791,720
Shipped subsequent to July 31	**272,771**	**71,816**	355,049	76,251
Weight losses in transit and drying	**1,186**	**-**	1,362	-
Total disposition of grain	**3,665,905**	**916,305**	3,873,296	867,971
Add grain sold to subsequent pool account	**1,350,461**	**349,733**	1,332,145	293,152
Gross sales	**5,016,366**	**1,266,038**	5,205,441	1,161,123
Less sales used to value prior pool account	**(1,332,145)**	**(293,152)**	(1,203,801)	(264,045)
	3,684,221	**972,886**	4,001,640	897,078
Deduct cost of grain purchased from other than producers	**(18,878)**	**(2,995)**	(25,906)	(4,602)
Revenue	**3,665,343**	**$ 969,891**	3,975,734	$ 892,476
Barley				
Disposition of grain				
Shipped prior to July 31	**608,157**	**$ 83,680**	560,992	$ 75,749
Shipped subsequent to July 31	**6,623**	**1,004**	65,334	8,406
Weight losses in transit and drying	**168**	**-**	-	-
Total disposition of grain	**614,948**	**84,684**	626,326	84,155
Add grain sold to subsequent pool account	**10,728**	**1,686**	167,357	22,800
Gross sales	**625,676**	**86,370**	793,683	106,955
Less sales used to value prior pool account	**(167,357)**	**(22,800)**	(121,893)	(16,677)
	458,319	**63,570**	671,790	90,278
Deduct cost of grain purchased from other than producers	**(4,246)**	**(395)**	(87)	(16)
Revenue	**454,073**	**$ 63,175**	671,703	$ 90,262
Designated Barley				
Disposition of grain				
Shipped prior to July 31	**2,195,671**	**$ 439,843**	2,139,092	$ 399,190
Shipped subsequent to July 31	**224,869**	**45,843**	222,312	45,697
Weight losses in transit and drying	**-**	**-**	-	-
Total disposition of grain	**2,420,540**	**485,686**	2,361,404	444,887
Add grain sold to subsequent pool account	**93,390**	**18,301**	236,896	44,853
Gross sales	**2,513,930**	**503,987**	2,598,300	489,740
Less sales used to value prior pool account	**(236,896)**	**(44,853)**	(42,741)	(7,168)
	2,277,034	**459,134**	2,555,559	482,572
Deduct cost of grain purchased from other than producers	**(3,546)**	**(462)**	(982)	(133)
Revenue	**2,273,488**	**$ 458,672**	2,554,577	$ 482,439

18. Administrative Expenses

(000's)	2001	2000
Administrative expenses for fiscal year ended July 31	**$ 65,888**	$ 63,713
Current fiscal year's expense related to administration of the prior year's pool accounts	**(21,219)**	(20,656)
Subsequent fiscal year's expense related to administration of the current year's pool accounts (estimated)	**22,256**	21,219
Provision for expenses related to administration of the producer payment accounts	**(317)**	(314)
Prior fiscal year's expense related to administration of the current year's payment option programs	**191**	-
Current fiscal year's expense related to administration of the payment option programs	**(216)**	-
Current fiscal year's expenses related to administration of the subsequent year's payment option programs	**(148)**	(191)
Allocated to current pool accounts	**$ 66,435**	$ 63,771
Allocated as follows:		
Wheat	**$ 45,545**	$ 44,328
Durum	**11,962**	10,733
Barley	**1,511**	1,816
Designated Barley	**7,417**	6,894
	$ 66,435	$ 63,771

The administrative expenses reported in the financial statements are the expenses incurred during the fiscal year ended July 31. Administrative expenses, except for that portion of such expenses attributable to distributing final payments to producers and incremental costs related to payment option programs, are allocated to each pool account on the basis of relative tonnage. The expenses allocated to the current pool accounts include an allocation of the estimated expenses associated with marketing the current crop beyond July 31. The administration expenses charged to the producer payment option programs include amounts deferred from the prior fiscal year that related to the administration of the current year's programs. The purpose is to ensure that the current pool and program accounts reflect the total cost of marketing and administrative activities that take place before, during and after the fiscal period August 1 to July 31.

19. Employee Future Benefits

Employee future benefits relate to the defined benefit plan and the other post-employment benefits.

Pension Plan

The Corporation expensed $3,353,298 (2000 - $2,268,810) as its contribution to the pension plan.

Other Post-Employment Benefits

The following tables present information related to post-employment benefit plans provided by the Corporation including amounts recorded on the Balance Sheet and the components of the cost of net benefits for the period.

The accrued benefit obligation, and resulting plan deficit, at July 31, 2001, as determined by actuarial valuation, is $17,012,422.

The accrued benefit liability included on the Corporation's Balance Sheet is:

	2001
(000's)	Total
Accrued benefit obligation, beginning of year	**$ 3,952**
Current service cost	**582**
Interest cost	**1,140**
Benefits paid	**(2,331)**
Amortization of transitional obligation	**912**
Accrued benefits obligation, at measurement date	**$ 4,255**

The Corporation's expense with respect to other post-employment benefits is:

(000's)	2001
Current service cost	$ 582
Interest cost	1,140
Amortization of transitional obligation	912
Total post-employment benefit expense included in the Statement of Administrative Expenses	$ 2,634

The weighted-average assumptions at the measurement date used in the calculation of the Corporation's benefit obligation are shown in the following table:

	2001 Total
Discount rate	6.8%
Rate of compensation increase	4.0%

For measurement purposes, benefits provided are assumed to increase at a rate of 10% for 2001 grading down by 1% per year to an ultimate level of 3% per annum.

20. Comparative Figures

Certain of the prior year's figures have been restated to conform with the current year's presentation.

Glossary of financial terms

Cross-currency interest rate swap	a contractual agreement for specified parties to exchange principal, fixed and floating interest rate payments, in different currencies. Notional amounts upon which the interest rate payments are based are not exchanged.
Currency swap	a contractual agreement for specified parties to exchange the cash flow of one currency for a fixed cash flow of another currency.
Derivative financial instrument	a contract or security that obtains much of its value from price movements in a related or underlying security, future or other instrument or index.
Fair value	an estimate of the amount of consideration that would be agreed upon between two arm's length parties to buy or sell a financial instrument at a point in time.
Foreign exchange forward	an agreement to buy and sell currency is simultaneously purchased in the spot market and sold in the forward market or vice-versa.
Futures contract	a future commitment to purchase or deliver a commodity or financial instrument on a specified future date at a specified price. The futures contract is an obligation between the corporation and the organized exchange upon which the contract is traded.
Hedge	a risk management technique used to decrease the risk of adverse commodity price, interest rate or foreign exchange movements by establishing offsetting or risk-mitigating positions intended to reduce or minimize the corporation's exposure.
Liquidity	having sufficient funds available to meet corporate obligations in a timely manner.
Notional amounts	a reference amount upon which payments for derivative financial instruments are based.
Option	a contract that grants the right, but not the obligation, to buy or sell a commodity or financial instrument at a specified price at a specific point in time during a specified period.
Risk management	the application of financial analysis and diverse financial instruments to the control and, typically, the reduction of selected types of risk.
Single currency interest rate swap	a contractual agreement for specified parties to exchange fixed interest rate payments for floating interest rate payments based on a notional value in a single currency. Notional amounts upon which the interest rate payments are based are not exchanged.
Swap	a contractual agreement to exchange a stream of periodic payments with a counterparty.

Senior management

The Executive Team

(Left to Right)
Gordon Menzie, Executive VP Finance and Treasurer;

Greg Arason, President and CEO;

Earl Geddes, VP Farmer Relations;

Margaret Redmond, Executive VP Corporate Affairs;

Brian Oleson, Senior Economist;

Adrian Measner, Executive VP Marketing;

Laurel Repski, VP Human Resources.

Senior Management

(Left to Right)
Ward Weisensel, VP Transportation and Country Operations;

Brian White, VP Commodity Analysis and Risk Management (as of September 2001);

Graham Paul, VP Information Technology Services (as of September 2001);

Jim McLandress, General Counsel (as of August 2001);

Deborah Harri, Corporate Secretary (as of August 2001);

Bill Spafford, VP Sales and Market Development;

Brita Chell, VP Accounting (as of August 2001);

Larry Nentwig, VP Finance.

The Senior Management Team works in partnership with the Board of Directors to provide leadership and vision for the CWB, based on the cornerstone of obtaining the best returns for farmers. Senior management is comprised of the Executive Team, the Vice-Presidents, General Counsel, Corporate Secretary and the Director of Internal Audit.

There have been a number of changes since the beginning of the 2000-01 crop year, including four retirements and one resignation within senior management. A critical review of these positions resulted in the consolidation of Transportation and Country Operations. Margaret Redmond was appointed as the new Executive Vice-President of Corporate Affairs in July 2001.

Senior Management Compensation

	2000-2001 Actual	1999-2000 Actual
Senior Management Compensation		
Salaries	**$ 2,106,702**	$ 2,670,314
Benefits	**1,004,460**	875,068
Total	**$ 3,111,162**	$ 3,545,382

Senior management is compensated in accordance with policies approved by the Board of Directors.

In accordance with the CWB Information Policy and the desire to be open and accountable to farmers, the following table sets forth compensation earned by the President and Chief Executive Officer, as well as the four other highest-paid senior officers for the year ended July 31, 2001.

Summary Compensation Table, 2000-01

	Annual Compensation	
Name and Principal Position	Salary	All Other Compensation[1]
Greg S. Arason President & Chief Executive Officer	$ 250,115	$ -
Adrian C. Measner Executive Vice-President, Marketing	210,097	-
William W. Spafford Vice-President, Sales and Marketing	173,330	-
Gordon P. Menzie Executive Vice-President, Finance and Treasurer	160,496	-
Margaret D. Redmond[2] General Counsel and Corporate Secretary	136,820	-

Notes:

[1] The CWB has no additional compensation plans beyond base salary. The value of perquisites for each senior officer did not exceed the lesser of $50,000 or 10% of total annual salary.

[2] Margaret D. Redmond was newly appointed to Executive Vice-President, Corporate Affairs on July 30, 2001

Corporate Governance

Farmer control of the CWB is most apparent in the structure of the Board of Directors, the majority of whom are directly elected by western Canadian wheat and barley growers. Directors play a crucial role because they set the strategic direction of the CWB and oversee its business. In 2000-01, great progress was made by the Board to move the CWB forward by creating a new framework for strategic and long-term planning.

Governance has been an extremely important issue for the Board, as it strives to follow best practices while reflecting the unique CWB structure that combines elected and appointed directors under a shared governance model.

Farmers electing farmers.
The past crop year saw the first round of director elections since 10 farmers were originally voted onto the CWB Board of Directors in 1998, following a democratic transformation of the CWB governance structure. The fall 2000 elections were held in five of 10 districts, resulting in a change for southeastern Saskatchewan where new director Rod Flaman was elected.

Farmer elections are the centrepiece of the new governance structure giving farmers direct, visible control over the CWB. The elections give farmers the opportunity to put a producer who most closely represents their views at the Board table. In the 2000 fall election, mail-in ballots were received from 40.6 per cent of eligible voters.

The CWB Act requires that elections be held in half of the 10 districts every two years, meaning directors serve four-year terms. The 2000 election was held in Districts 2, 4, 6, 8 and 10. Elections will be held in Districts 1, 3, 5, 7 and 9 in the fall of 2002.

Adding business expertise
In addition to the 10 elected directors, the Board includes four appointed directors with three-year terms, who are chosen by the federal government for their specific business expertise. A new director, Bonnie DuPont of Enbridge Inc. in Calgary, was appointed at the end of the past crop year to replace former director James Stanford. The federal government, with input from CWB directors, also appoints a President and CEO, who sits on the Board.

Leading the CWB
The Board oversees the conduct of CWB business. This includes establishing strategic direction, reviewing and approving strategic plans, budgets, financial statements, the annual business plan and the borrowing plan. The Board ensures management puts appropriate systems in place to manage risk, maintain integrity of financial controls and oversee information services. In 2000-01, the Board approved a process for senior management succession planning.

Building the future
A top strategic objective for 2000-01 was to strengthen the CWB connection with farmers. The Board identified this as a priority during a comprehensive strategic planning process, along with the three other foundations of CWB business: our customers, our long-term mandate and our employees. Along with identifying these four strategic focus areas, great strides were made in refining the strategic planning cycle, including development of a new

framework for long-term planning and initiating work on a set of corporate values.

Striving for excellence in governance

As a relatively new structure, special efforts are being made to continuously improve the effectiveness of the Board of Directors. The unique governance structure of the CWB poses different challenges than those faced by boards of most commercial corporations. During the past year, efforts have included:

- A governance study which recommended improvements to the interface between the Board, its committees and senior CWB management, with particular attention to defined roles and responsibilities.
- Amendments to the Code of Conduct, approval of an election period code of conduct and a political donations policy, and creation of a process to formally declare conflict of interest
- Development of an orientation plan for new directors.
- Work towards creating a director development process and developing guidelines for director qualifications.
- Continuation of the annual evaluation of the Board, its committees and the CEO.

Committee structure

The CWB Board of Directors structure includes four standing committees and several ad hoc committees, with terms of reference reviewed annually:

Audit and finance

Ensures CWB accounting and financial reporting systems provide accurate and timely information, including effective internal controls. Facilitates the conduct of an annual audit, reviews annual financial statements and accounting practices, and reviews financial risk policies, plans and proposals.

Members: David Hilton (chair), John Clair, Larry Hill, James Chatenay

2000-01 accomplishments:

- Recommended approval of a plan for managing amendments to the business plan and budget.
- Met independently with external auditors who review CWB financial results.
- Reviewed the business and corporate plans and recommended approval (together with the Risk Management and Strategic Issues committee).
- Reviewed the annual budget and recommended approval.
- Reviewed plans for the special audit undertaken by the Office of the Auditor General.
- Recommended earlier distribution of final payment to farmers for 2000-01.

Corporate Governance

Governance and management resources

Provides a focus on governance to enhance Board and CWB effectiveness. Assists the Board in fulfilling its obligations related to human resource and compensation matters.

Members: Art Macklin (co-chair), Betty-Ann Heggie (co-chair), Ken Ritter

2000-01 accomplishments:

- Established a plan for continuity and development of senior management.
- Recommended an action plan following a CWB employee survey taken to gauge satisfaction levels.
- Maintained and updated a Board Governance Manual containing all policies related to Board conduct.
- Reviewed an external study on CWB governance issues.
- Reviewed and updated the Director Compensation Policy and initiated an audit.
- Began policy work towards changing the CWB pension plan.
- Initiated plans for director development programs.
- Ensured an annual evaluation of the Board, its committees and the CEO was undertaken.

Risk management and strategic issues

Ensures that areas of corporate risk, strategic issues and policy are identified. Recommends priorities, time frames and processes to address these issues. Coordinates the Board's input to the CWB strategic planning process.

Members: Ian McCreary (chair), Greg Arason, Rod Flaman, Bill Nicholson

2000-01 accomplishments:

- Recommended approval of a CWB policy on organic grain marketing.
- Reviewed the annual business plan, corporate plan and budget, and recommended approval (together with the Audit and Finance committee).
- Reviewed farmer pricing options and made recommendations for program expansion.
- Reviewed the CWB grain delivery policy.
- Recommended that the CWB play a lead role in the development of a position on genetically-modified grain.
- Developed a strategy for the introduction of e-business at the CWB.

Farmer relations

Assists the Board in developing strategies and policies for relations with farmers, as well as communications with industry, government, customers, employees and the general public. Reviews major new advertising projects and major accountability vehicles such as the annual report. Recommends attendance at grain industry events.

Members: Mike Halyk (chair), Wilfred Harder, Ross Keith

2000-01 accomplishments:

- Recommended approval of a new CWB Information Policy.
- Recommended approval of organizational restructuring to create the Farmer Relations area of the CWB.
- Recommended approval of a new regional office system for Farm Business Representatives.

Ad hoc committees

Transportation (McCreary-chair, Arason, Halyk, Keith, Macklin, Ritter): Provided strategic direction to help achieve a new commercialized transportation environment. Ensured the needs and wishes of farmers were given top consideration during negotiations with other transportation partners.

Trade (Hill-chair, Hilton, Keith, Macklin, McCreary, Nicholson, Flaman): Recommended strategies and actions on trade-related issues that could affect the ability of the CWB to fulfill its mandate.

Benchmarking (Clair-chair, Hill, Hilton, McCreary, Nicholson): Assisted in developing appropriate benchmarks for ongoing performance measurement of the CWB's core grain marketing function.

Search committee (Ritter-chair, Arason, Halyk, Hilton, McCreary, Heggie, Macklin): Assisted in recruitment of a senior executive.

Compensation table

Board of Directors

		Remuneration			Attendance		
Director	District	Retainer	Per diems	Total	Board meetings	Committee meetings	Industry meetings
Macklin, Art	1	$ 20,833	$ 42,800	$ 63,633	12	60	33
Chatenay, James	2	20,000	32,750	52,750	12	12	16
Hill, Larry	3	24,000	43,708	67,708	12	26	40
Ritter, Ken (chair)	4	61,667	43,800	105,467	12	45	66
Clair, John	5	24,000	33,450	57,450	12	26	21
McCreary, Ian	6	28,000	37,900	65,900	12	64	42
Halyk, Micheal	7	24,000	42,359	66,359	12	50	47
Hanson, Terry [1]	8	8,333	16,800	25,133	7	34	11
Flaman, Rod [2]	8	11,667	24,250	35,917	5	8	22
Nicholson, Bill	9	20,000	30,000	50,000	12	28	26
Harder, Wilfred	10	20,000	27,833	47,833	12	12	21
Arason, Greg (CEO)	A	NA	NA	NA	12	NA	NA
Heggie, Betty-Ann	A	20,833	9,000	29,833	9	16	2
Hilton, David	A	24,000	32,000	56,000	11	34	14
Keith, Ross	A	20,000	24,750	44,750	11	43	9
Stanford, James [3]	A	18,000	9,750	27,750	6	9	7
TOTAL		$ 345,333	$ 451,150	$ 796,483			

A = Appointed Director

[1] August to December 2000

[2] January to July 2001

[3] August 2000 to March 2001

Directors are paid an annual retainer and per diem allowances. The board chair receives an annual retainer of $60,000. All other members receive $20,000, with committee chairs receiving a further $4,000. A per diem of $500 per full regular meeting day is paid to each member. Directors are reimbursed for all reasonable out-of-pocket and travel expenses. They are also entitled to a maximum of $5,000 per crop year to assist them in communicating with farmers. The annual remuneration limit is $60,000 for directors and $100,000 for the board chair. This limit does not apply to the retainer for committee chairmanship, the communication allowance or any other item that the Board specifically excludes. The table above includes some remuneration that was incurred in the previous crop year, but submitted during 2000-01.

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